

# CURRENT HISTORY

A WORLD AFFAIRS JOURNAL



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# CURRENT HISTORY

FOUNDED IN 1914

FEBRUARY 1992

VOL. 91, NO. 562

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## EDITOR'S NOTE:

Latin America is changing. The political and economic shifts have not been as dramatic as those in the former Soviet Union and Eastern Europe, but their implications are equally profound. Mexico has moved from a statist, protectionist economic policy to one that includes extensive privatization and fosters free trade. Similar economic reforms have been made in Argentina and Brazil. Politically the last two countries seem firmly committed to redemocratization, and even Mexico, with its institutionalized one-party rule, has offered some room for opposition parties in the political system.

The positive changes in these three countries are overshadowed by the drug-influenced violence and lawlessness that plague the Andean nations. United States attempts to attack the drug problem at its source in the Andes have proved short-sighted and promise a militarization of the region that the shaky democratic governments can ill afford.

This issue also examines the Haitian crisis. The historical roots of the most recent coup are discussed by a long-time observer of the country, who finds that while ousted President Jean-Bertrand Aristide may have been judged saintlike by his followers, he was not a politician—and was unable to negotiate Haiti's political landscape.

A special note: Gillian Gunn reviews how Cuba fares as its patron, the Soviet Union, disappears from the map. Much of her article is based on a recent interview with Fidel Castro.

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Vol. 91, No. 562

"Washington, after short periods of intense involvement, has typically lost interest in Latin America. This time may be different—especially if Latin America remains largely democratic, can begin to demonstrate real economic success, and maintains its own interest in closer relations with the United States."

## The United States and Latin America: Good Neighbors Again?

BY PETER HAKIM

Venezuelan President Carlos Andrés Pérez once said that relations between the United States and Latin America had never been very good. He would probably not repeat that statement today. With the conflicts of the 1980s mostly resolved or muted, the United States and Latin America have begun to enjoy an "era of good feeling." Consider these recent developments, all of which would have been difficult to imagine only two years ago.

- The United States is negotiating a free-trade arrangement with Mexico that will accelerate the economic integration of the two countries.
- President George Bush last year called for the eventual development of a Western Hemisphere free-trade system that would incorporate all countries of the Americas. In response, most Latin American nations have expressed interest in moving rapidly toward free trade with the United States.
- The United States has been cooperating closely with Latin American and Caribbean nations at the Organization of American States to restore to power Jean-Bertrand Aristide, the populist president of Haiti who was ousted by a military coup in September 1991. All OAS members are participating in a stringent economic embargo against Haiti to bring about Aristide's return.

- The United States is being praised in Latin America for its efforts to promote a United Nations-mediated peace in El Salvador. Political allies of the guerrilla Farabundo Martí National Liberation Front have called on Washington to remain involved in El Salvador in the coming years.

This positive turn in United States–Latin American relations should not be exaggerated, nor should it be overgeneralized. After all, there are substantial differences in the quality of America's bilateral relations with the 35 or so Latin American and Caribbean countries. Not all are equally harmonious; relations with Brazil, for example, the largest and economically most powerful country in Latin America, are seriously strained on a range of important issues.

What has clearly changed is the discourse of relations. It is increasingly rare for Latin American leaders to confront Washington openly or to seek political advantage at home by denouncing United States interventionism, economic exploitation, or hegemonic impulses. Just the opposite: most Latin American governments now say they want to build stronger economic and political ties with the United States. Suspicion of American motives and concern about political and economic influence appear to be fading in much of the region. At the same time, United States attitudes toward Latin America have also improved; Washington is plainly showing greater respect for the countries of the region.

Three closely interrelated shifts have combined to foster this new rapport. The first is Latin America's dramatic turn toward both democratic rule and free-market economics. Democracy has become accepted throughout the hemisphere as the only legitimate way to gain and exer-

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cise power; popularly elected presidents hold office in nearly every country of the region. Governments in country after country are allowing markets to set prices, curbing regulations, and privatizing state-owned enterprises. These two trends have made the nations of Latin America far more congenial partners for the United States.

Second, a decided (and, from its southern neighbors' viewpoint, welcome) shift in United States policies accompanied Bush's election in 1988. The unilateral, ideologically driven policies of President Ronald Reagan gave way to the more multilateral, pragmatic, and responsive approaches of the Bush administration.

Third, the two great international political and economic transformations of the 1980s—the end of the cold war and the globalization of economic activity—have shifted the foundations of United States–Latin American relations. The former destroyed what had been the key organizing principle of United States policy toward Latin America since 1945: the threat, or perceived threat, of Soviet intrusion and advances in the region. The latter provides the rationale and basis for a new policy direction.

## ENTERPRISE FOR THE AMERICAS

Almost surely without fully realizing it, Bush captured the new political mood and gave it greater coherence when he launched the Enterprise for the Americas initiative in June 1990, two weeks after the United States announced plans to pursue free-trade talks with Mexico.

The initiative has three central provisions: Latin American countries were offered a partial reduction of the \$12-billion bilateral debt they owed the United States (a small fraction of their overall \$400-billion foreign debt); a new \$300-million-a-year fund was to be established through the Inter-American Development Bank to help promote private investment in Latin America; and a new United States vision for hemispheric free trade was set out.

At the time the initiative was announced, the administration was under no great pressure, domestic or international, to issue a major policy statement on Latin America. In its first year and a half in office, it had already made some important changes in United States policy toward the region, most of which were well regarded in Latin America and welcomed in Congress.

The first of these was the so-called Brady Plan for reducing Latin America's commercial bank debt, announced less than two months after Bush took office. The plan, named after Treasury Secretary Nicholas Brady, endorsed for the first time extensive debt relief for the region's overborrowed countries by using public funding to provide incentives for private banks to forgive part of their Latin American loans. By mid-1990 the Brady plan was producing its first modest results.

Indeed, debt issues in general were slowly pushed into the background. Five countries—Mexico, Costa Rica, Venezuela, Uruguay, and Bolivia—had obtained some measure of debt relief. Colombia and Chile were effectively managing their debt obligations without outside

help. And the region's remaining debtor countries had stopped paying without much protest from their creditors, obtaining *de facto* relief. Today, only Brazil is seen as major problem debtor, and even it may soon reach agreement with lending banks.

The Bush administration had also stopped the White House's long-running battle with Congress over Central America and achieved what had long been the major objectives of United States policy in that region. The invasion of Panama in December 1989 ousted General Manuel Noriega, and the Sandinista government in Nicaragua was voted out of power in 1990. In addition, realistic hopes were emerging for a peaceful settlement of the war in El Salvador.

Contrary to some speculation, the Enterprise for the Americas initiative was not designed as a possible Western Hemisphere alternative to the world trading system governed by the General Agreement on Tariffs and Trade. Nor was it a warning to Europe and Japan that the United States could readily pursue a hemispheric trade strategy should they fail to make the concessions necessary for a satisfactory outcome in the Uruguay Round of GATT negotiations (which were supposed to be concluded by the end of 1990 but are still going on). After all, Latin America offers a comparatively limited market for United States exports—and Japan and Europe know that. Only 13 percent of United States exports go to Latin America, down from 17 percent in 1980; more than half are sold to Mexico.

United States producers and consumers would gain from expanded trade with Latin America. But most of that gain would come from Mexico anyway, and a Western Hemisphere trading bloc would not come close to offering the United States an economically attractive alternative to an open world trading system.

The Enterprise initiative was, in short, not intended to set a new course for United States trade policy; it was instead a statement of policy toward Latin America. And no American policy measure—at least since President John Kennedy's Alliance for Progress—achieved a more favorable reaction in the region. It was warmly praised by virtually every Latin American leader except Cuban President Fidel Castro. Even the general vagueness of the initiative and its lack of implementing machinery were viewed positively; these were seen as allowing Latin America an active role in shaping the initiative rather than presenting it with another take-it-or-leave-it proposition from Washington.

Not only in Latin America was the initiative applauded; it also appealed to a broad political spectrum in the United States. Liberal opinion viewed the initiative's focus on economic affairs and its call for cooperative action as a welcome change from Washington's usual stress on security issues and propensity for unilateral action. Conservatives liked the fact that the initiative's benefits were conditioned on the adoption of free-market economic policies and open trading regimes. This broad

support in principle may not, however, end up being sustained in practice. The fierce domestic debate over free trade with Mexico has shown the depth of American protectionist sentiment and the broad opposition to lifting trade restrictions.

Bush and his advisers had not anticipated the overwhelmingly positive reaction to the initiative—which, in turn, substantially enhanced its significance in Washington. The initiative quickly became the centerpiece of United States policy toward Latin America. In Latin America, the initiative (and particularly its free-trade goal) accelerated the shift in emphasis away from the debt crisis toward the prospect of expanding overseas markets and attracting new foreign investment. The initiative provided the United States and Latin American countries with a common agenda and a new set of objectives on which they could largely agree.

The initiative reassured Latin America on several counts. Most important, it conveyed that Washington was not about to abandon or ignore the region in a post-cold war world. Latin American countries had been uneasy about the possible diversion of United States attention and capital to other areas and anxious about their exclusion from emerging regional trade blocs in Asia, Europe, and North America. The initiative suggested that just the opposite would be the case: they would be welcomed as partners in a Western Hemispheric bloc.

To be sure, the initiative was not an economic recovery program for Latin America. It is, in fact, hard to point to any immediate and tangible economic gains that are likely to spring from it.<sup>1</sup> Aside from a few small countries in Central America and the Caribbean, the benefits of the proposed bilateral debt reduction are negligible—probably no more than one percent of Latin America's yearly interest bill. The investment fund will likewise provide the region with little new funding. And free-trade arrangements will be a long time in coming. In April 1991, Deputy United States Trade Representative Julius Katz said, "We see the process of creating a free trade area as taking many years and stretching into the next decade."

For the United States, the most important short-term objective of the initiative was to reinforce the growing trend in Latin America toward free markets and liberalized trade. Every component of the initiative included strong incentives for economic restructuring; every benefit was conditioned on market-oriented trade and investment-promoting reforms. The Bush administration believed that these changes were all in Latin America's best

interests—that sustained market reforms offered the only formula for regional recovery and long-term growth. Most Latin Americans were also, grudgingly, coming to that view, or at least were unable to offer good alternatives.

Overall, the White House sought to offer a policy initiative that would be viewed as significant in Latin America, and not be greeted by cynicism or dismissed as irrelevant to the region's needs. The timing of the initiative was, after all, tied to the president's planned visit to five countries of South America scheduled for early September 1990 (although subsequently postponed until December). The White House wanted a positive agenda for the president's first extended trip to Latin America.

Yet the administration, constrained by its own budget limits, was neither willing nor able to propose any substantial resource transfers to the region, and therefore could not directly satisfy Latin America's most critical need: its shortage of external capital. The initiative was the proposed solution to this conundrum. Designed as a structure of incentives to reinforce the region's own reform efforts, it was a "self-help initiative" that promised Latin America an eventual economic partnership with the United States once the region had shaped up its economies and sustainable growth had resumed.

## PUTTING THE INITIATIVE IN PLACE

The White House moved expeditiously to implement the initiative. By September 1990 bills were presented to Congress that would ensure the authority and funding needed to proceed with the debt and investment components of the initiative. But aside from a small amount of debt relief, these components have been largely stalled, for reasons mostly related to the politics of foreign aid.

The Enterprise initiative received its strongest boost in May 1991, when Congress, after months of unexpectedly bitter debate, renewed the administration's "fast-track" authority to negotiate international trade agreements.<sup>2</sup> That renewal gave the administration the green light to begin negotiations with Mexico and Canada toward a North American Free Trade Agreement (NAFTA).

The administration, however, has not yet put forward a plan for proceeding beyond NAFTA to the grander vision of a Western Hemisphere free-trade area. It has now signed trade and investment "framework agreements" with nearly every country in Latin America. But these are only the first steps toward free trade; they specify key trade issues and establish mechanisms for discussing them, but they do not include specific commitments to action.

The United States, Mexico, and Canada had initially hoped to complete their free-trade negotiations by early 1992, thus allowing for United States congressional approval by midyear. Now, however, the Bush administration apparently considers it unwise to send a trade agreement to Congress during a presidential election year. Accordingly, 1993 is the earliest that a free-trade deal with Mexico is likely to be consummated—and a strategy

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<sup>1</sup>For detailed argument see Peter Hakim, "President Bush's Southern Strategy: The Enterprise for the Americas," *The Washington Quarterly*, Spring 1992.

<sup>2</sup>Fast-track authority enables the president to negotiate trade agreements that Congress must then approve or reject within a fixed time period without adding amendments.



developed for moving toward broader Western Hemisphere trade arrangements.

Western Hemisphere free trade is the most difficult and ambitious objective of the Enterprise for the Americas initiative, and it faces the greatest hurdles. Narrow United States domestic political interests will complicate trade policy and negotiations in the hemisphere as they do elsewhere. Not only do differences exist between Congress and the administration on some crucial issues, there are also disagreements among different agencies of the executive branch and potential conflicts between global and hemispheric trade goals. Despite the current enthusiasm in Washington and Latin America, the obstacles to achieving hemispheric free trade should not be underestimated.

### RENEWED INTEREST IN THE OAS

It is not only on economic issues that United States–Latin American relations have been warming. The expanding role and effectiveness of the OAS may be an even more significant demonstration of the improved inter-American climate.

For most of 1980s the United States ignored the OAS, considering it irrelevant on most key issues. Washington pursued its own unilateral and bilateral agendas. Whenever Latin American countries organized themselves on issues such as foreign debt or the conflicts in Central America, it was usually to find more effective ways to confront the United States.

The resurgence of the OAS, beginning with its role monitoring the 1990 elections in Nicaragua and demobilizing the contras, precisely parallels the steady improvement in United States–Latin American relations, and could not have happened without it. The OAS can be effective only when both the United States and the countries of Latin America agree on the definition and scope of the problem to be addressed, and when they are in accord on how to proceed. Whenever the United States and Latin America are on opposite sides of an issue, the OAS is invariably paralyzed.

The most encouraging sign of the OAS's new consensus for action was the so-called Santiago agreement of June 1991, which committed all member governments to help defend democratic rule in the hemisphere. The OAS voted unanimously to meet in emergency session to respond to coups or other interruptions of democratically elected governments. This was a dramatic departure from a long OAS tradition of avoiding involvement in the domestic problems of member states.

The first test of the Santiago commitment occurred three months later when rogue military elements in Haiti ousted Aristide's elected government. The OAS responded quickly and sensibly, with the United States and Latin America working easily together (despite Washington's low regard for Aristide). Even if the OAS does not succeed in restoring the Haitian president to power, its performance in the attempt to do so has been impressive.

### THE WAR ON DRUGS

Despite the manifest goodwill permeating United States–Latin American relations, there is friction in significant policy areas. The war on drugs and United States policy toward Cuba are two of the most important of these.

Narcotics trafficking is a lesser source of conflict in relations today than it was several years ago. Washington has eased its rhetoric and no longer blames Latin American countries for American drug abuse. Similarly, Latin American leaders have stopped pointing to demand in the United States as the only problem to be faced. Both ends of the narcotics network recognize that trafficking is devastating to every country involved, and that none of them can avoid dealing with the problem. These advances notwithstanding, United States drug policies are still confusing, confrontational, and often a cause of friction in relations with specific countries.

Washington's antidrug efforts in Latin America are focused on the three main supplier countries: Bolivia, Peru, and Colombia. United States policy encourages each of these countries to expand antidrug efforts; actively engage its armed forces in narcotics control; and accept United States training and logistical support and, at times, even a quasi-operational role for United States personnel. In pursuing this agenda Washington has used the standard carrots of economic assistance and special trade benefits, as well as the traditional sticks of threatened bilateral and multilateral aid cutbacks and highly public criticism.

The United States drug war in the Andes is controversial, however. Military leaders have been reluctant to involve their forces in antidrug campaigns. They are worried about the potential for corruption among low-paid officers and troops—and, in the case of Peru and Colombia, troops' diversion from counterinsurgency campaigns, which are considered a higher priority. For their part, democratic civilian leaders in all three Andean countries are concerned about the problem of undercutting civilian authority by expanding the role of the military and enmeshing armies in what are basically political tasks.

Moreover, the United States and the Latin American countries have different objectives in their struggle against narcotics. Washington's main purpose is to curtail the flow of illegal drugs northward. Colombia's primary objective is not to stem the narcotics trade but to contain the violence that the large-scale drug cartels are capable of unleashing against the Colombian government and people. In Peru and Bolivia the main goal is to find an economically viable alternative for the many coca-growing peasants.

What most confounds these and other Latin American countries (as well as most experts to the north) is why the United States persists in waging an overseas war against drugs. It is all too apparent that American expenditures of hundreds of millions of dollars over many years have not affected the flow of cocaine to the United States.

Confusion over the purpose of the war against drugs occasionally creates suspicion that the United States program must have another, undeclared objective in the Andes.

Yet even as basic questions about the purpose of anti-narcotics campaigns overseas remain unanswered, some policy improvements have occurred, suggesting that the United States may be learning from its experience. Washington, for example, has stopped supporting crop eradication programs. These were costly, almost totally ineffective, and potentially the most damaging of the American antidrug measures to the national interests of the Andean countries. The United States government has also begun to finance rural development programs to lure farmers away from drug crops. Although unlikely to have much impact on the drug trade itself, development aid can produce other benefits.

## RELATIONS WITH CUBA

Another source of conflict in the Americas is the hostile relationship between the United States and Cuba. Although few if any United States officials still consider Cuba a threat either to the United States or to other Latin American countries, Bush administration policy toward the Castro government remains unremittingly antagonistic; indeed, administration officials take pride in the constancy of American policy over the past 30 years. Washington is intent on keeping Cuba isolated from international and hemispheric relations, in an effort to force Castro from power. The principal alternative to this policy is not an opening of dialogue but even stronger efforts to quarantine and impose economic sanctions against Cuba.

Nearly every other Latin American country shares the view that political and economic change in Cuba is desirable. And some Latin American governments have become vocal in their criticism of political repression and human rights abuses in Cuba, while others are privately pressing Castro for changes. However, most consider United States policy toward Cuba unwise, potentially dangerous, and probably self-defeating. What they want to achieve is not necessarily an end to the Castro regime but rather a political and economic opening in Cuba that will avoid a violent transition or United States intervention. Latin American leaders argue that the best way to encourage change is to begin reintegrating Cuba into the hemispheric community. The United States adamantly opposes this approach, and sticks to the view that Cuba must be isolated until it fundamentally alters its politics—that is, until Castro is deposed.

Beyond drugs and Cuba, there are several other areas of potential conflict in United States–Latin American relations—for example, the environment, immigration, and nuclear weapons proliferation. Indeed, the United States and Latin America have already clashed on all of these. Yet despite the considerable importance of these issues and the difference in perspectives, not one of

them has the potential to disturb an otherwise sound economic and political relationship.

## LOOKING AHEAD

The obvious question in United States–Latin American relations is whether this “era of good feeling” is just a temporary phenomenon caused by the short-lived coincidence of a few happy events, or whether there has been a significant change in the fundamentals that promises a lasting period of goodwill in inter-American affairs. These questions cannot be definitively answered. But unless Latin America’s major countries sustain democratic rule and stick with open, market-oriented economies, relations with the United States are likely to become more difficult. And Latin American governments would quickly sour on Washington if the United States were to close off the possibility of closer economic and commercial relations.

A return to military rule in any Latin American country would make it a less attractive partner for the United States. Like China, that country could become a political liability to any American administration that sought to sustain even normal commercial relations. Military takeovers in several important countries would change the nature of Western Hemisphere relations.

On the economic side, a retreat from market-oriented, export-led growth would make it difficult for a country to sustain good economic relations with the United States—and this would likely make political and diplomatic relations difficult as well. For example, current frictions with Brazil derive largely from the Brazilian government’s failure to sustain successful economic adjustment and restructuring programs.

In order for the United States to maintain the good relations it currently enjoys in Latin America, it must avoid backsliding—particularly on its economic policies. No one in Latin America expects Washington to accelerate significantly its efforts to construct hemispheric free-trade arrangements, but the United States would surely endanger current goodwill toward it in the region if it retreated from commitments it is perceived to have already made. Relations would be frayed, for instance, if Washington withdrew from its free-trade negotiations with Mexico; began to downplay the future prospects of free-trade initiatives with other Latin American countries; or, worse, became more protectionist and unilateral in its economic relations with the region.

Not to backslide hardly seems like a difficult challenge for the United States. After all, unlike Kennedy’s Alliance for Progress, current commitments do not involve significant resource transfers to Latin America. Yet Washington, after short periods of intense involvement, has typically lost interest in Latin America. This time may be different—especially if Latin America remains largely democratic, can begin to demonstrate real economic success, and maintains its own interest in closer relations with the United States. ■

"Salinastroika" has broadly reformed the Mexican economy, bringing down trade barriers, managing the foreign debt crisis, and reducing government involvement in the economy. Political reform has not been pursued as aggressively, but, according to Susan Kaufman Purcell, Mexico has made "real progress... in dismantling its authoritarian political structures."

## Mexico's New Economic Vitality

BY SUSAN KAUFMAN PURCELL

Today Mexico is considered an economic success story, with one of the most open economies in the world. During the early 1980s the opposite was true. The economy was relatively closed, and growth proved elusive. The main reason for the economic change is political. The onset of the foreign debt crisis in August 1982 seriously threatened the stability of the Mexican political system, and with it the continuing rule of the Institutional Revolutionary party (PRI), the "official" party that has controlled the presidency for more than a half century. If the ruling elite wished to remain in power, it had to restore economic growth.

An economic crisis does not always call into question the future of a political system. It did in Mexico, however, because the PRI was a political machine. The party's continued rule depended on its ability to deliver rewards to supporters. During much of the postwar period, the PRI had been able to accomplish this through government policies that produced economic growth rates ranging between six and eight percent annually. The corrupt and undemocratic nature of Mexico's political system, which has been dominated since 1929 by one party at the national level even though it is nominally a multiparty system, also seemed tolerable as long as the rewards continued. But when the economy went into a tailspin after August 1982, the rationale for supporting the PRI weakened and the political system threatened to fragment.

### TOWARD AN OPEN ECONOMY

When President Miguel de la Madrid Hurtado took office in December 1982, he had few economic options. Import-substitution industrialization, the development

strategy Mexico had been following, was no longer viable. The strategy initially aimed to transform Mexico from an agrarian to an industrialized economy by closing the country to economic competition from abroad, allowing Mexico to establish its own industrial base. The country's infant industries were to be nourished by lavish state subsidies, which would be withdrawn once the industries could hold their own internationally.

This never happened. Instead, a kind of "alliance for profits" developed between Mexico's state-supported private sector and the government. The organized labor movement also had a stake in the continuation of the protectionist development strategy. But protectionism had its costs, in the form of an economy that required ever larger state subsidies in order to export competitively. When Mexico's rapidly growing population began to require excessive resources, the government briefly tried to restructure the economy. It failed and turned instead to international borrowing.

Commercial banks, eager to recycle petrodollars and confident of Mexico's ability to repay because of its recently discovered oil reserves, were eager to respond. But when interest rates rose in the early 1980s, the world economy fell into recession. Petroleum prices fell, and Mexico suddenly found itself in default on its nearly \$100-billion foreign debt and cut off from new loans.

Deprived of foreign lending, the country had to find other ways to finance itself. The two obvious alternatives were increased exports and foreign investment. But after years of protection, most Mexican industries were globally uncompetitive. And the government's ideology, which was anti-American and considered foreign investment a form of imperialism, provided little encouragement to outside investors.

De la Madrid decided to open up the economy, signaling his determination to do so by bringing Mexico into the General Agreement on Tariffs and Trade (GATT). He also broke with the anti-American rhetoric of his two immediate predecessors and began to fashion a more cooperative relationship with the United States. His efforts to restructure the economy by opening it to

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international competition and reducing the role of the state will earn him an important place in Mexican history.

But that is in the long run. The immediate impact of de la Madrid's policies was the near defeat of his hand-chosen successor, Carlos Salinas de Gortari. In the 1988 presidential elections, many former PRI supporters voted for the left-of-center candidate, Cuauhtémoc Cárdenas Solórzano, who promised to end the unpopular austerity measures de la Madrid had imposed at the onset of the debt crisis and a return to the days of a booming economy. Among Cárdenas's supporters were government bureaucrats and PRI-affiliated labor unions such as the petroleum workers union. Their jobs threatened by the austerity measures, they chose to vote for Cárdenas, whose platform was, ironically, the more conservative alternative, since it favored a return to the status quo ante.

If Salinas had been intimidated by the forces arrayed against him when he took office in December 1988, Mexico would be a different country today. The new president realized he had no choice but to press ahead with the economic reforms begun by de la Madrid. But in Mexico's authoritarian political system, he first had to show that he was indeed in charge. Salinas used the army to arrest the notoriously corrupt and powerful head of the petroleum workers union, and had several wealthy business leaders indicted for fraud after the stock market collapsed in October 1987.

With his authority more firmly established, Salinas accelerated Mexico's economic restructuring. Public spending, which continued to be reduced, was also redirected to improve Mexico's economic infrastructure, particularly electricity, oil, transportation, and agriculture. The privatization program took on new momentum with the sale of the state telephone company, Telmex, followed by the sale in 1991 of some of Mexico's largest banks, including Banamex and Bancomer, which had been expropriated in 1982 by President José López Portillo. Even highway construction was privatized, which has led to the building of more roads in the last few years than in the last several decades. And in November 1991, Salinas sent a constitutional amendment to Congress that, among other provisions, would allow individual ownership of *ejido* lands owned by the state and farmed collectively.

## REMOVING TRADE BARRIERS

The economy has been increasingly opened up. The average tariff rate is now 10 percent, one of the lowest in the world. Import permits, which were required to import certain items, have essentially been eliminated. Salinas has also begun negotiations with the United States and Canada for a free-trade pact. The Mexican president decided to do so after a spring 1990 visit to Western Europe, where he concluded that developments in eastern Europe and the Soviet Union would translate into little European interest or investment in Mexico.

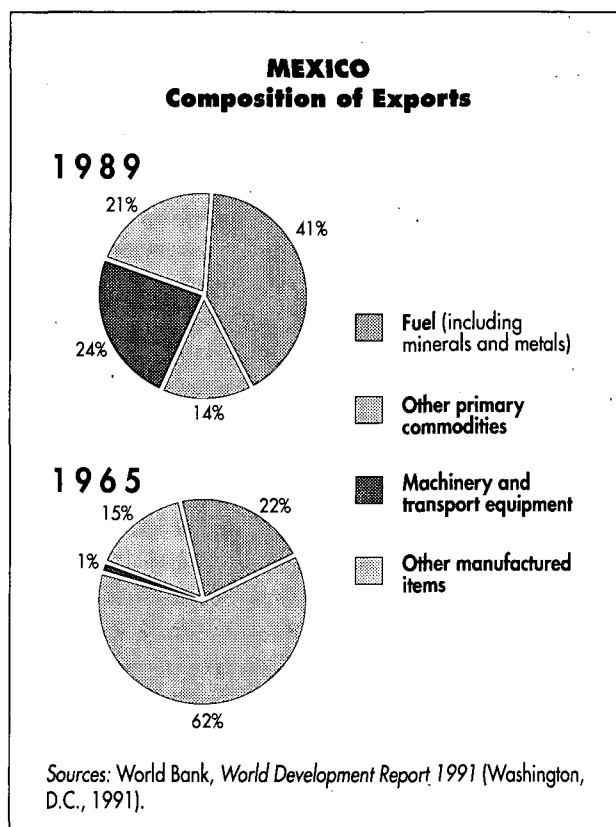
Salinas followed his decision to look northward with efforts to reduce trade barriers between Mexico and its Latin American neighbors. He offered the countries of Central America duty-free access to the Mexican market and signed a free-trade agreement with Chile in 1991. The groundwork for a trilateral free-trade agreement with Colombia and Venezuela has also been laid.

Salinas also sent clear signals that direct foreign investment would now be welcome. Implementing regulations governing foreign investment, which were part of the foreign investment law adopted in 1973 during a period when Mexican nationalism was synonymous with anti-Americanism and anti-imperialism, were liberalized in 1990. Areas of the economy that had been off-limits to foreign capital were opened to foreign investment, and up to 100 percent foreign ownership was permitted in many industries.

Finally, Salinas continued the anti-inflationary policy of his predecessor by renewing a series of wage and price control agreements among business, organized labor, and the government. He reduced taxes while simultaneously expanding the tax base. He also used cash generated by the privatization program to fund Solidarity, a self-help public works program for the poor, and to retire substantial portions of Mexico's internal debt, thereby reducing future interest payments and reinforcing Mexico's efforts at economic stabilization.

By the end of 1991, the economic policies initiated by de la Madrid and accelerated and broadened by Salinas had begun to produce impressive results. The zero

<b>MEXICO</b> <b>Selected Economic Indicators</b>	
Gross National Product	
Per capita (1989)	\$2,010
Average growth, per capita (1965-1989)	3.0%
Average annual inflation	
1965-1980	13.0%
1980-1989	72.7%
Foreign Debt (1989)	
Total external debt	\$95.642 billion
As % of exports	264%
As % of GNP	51.2%
Debt service as % of export revenue	39.6%
State-owned enterprises	
1982	1,155
1990	280
1992 (proj.)	29
Sources: World Bank, <i>World Development Report 1991</i> (Washington, D.C., 1991); Mexican Government, Secretariat of Finance, Office of Privatization of State-owned Enterprises.	



or negative economic growth that had characterized Mexico since 1982 had been replaced by economic growth rates that exceeded population growth, which was 2 percent in 1991. The annual inflation rate, which had reached 150 percent when Salinas took power, was reduced to approximately 17 percent and is expected to decline to between 12 and 13 percent this year. The public sector deficit decreased from 18 percent of the gross domestic product (GDP) to 1.1 percent in 1991; by the late 1980s manufactured exports had replaced oil as Mexico's leading export.

Mexico's successful restructuring soon transformed the country from a net exporter to a net importer of capital. The estimated \$50 billion of capital that had fled Mexico in the early 1980s began to return and found a new home in Mexico's stock market, whose recent growth made it one of the world's fastest growing stock exchanges. The return of flight capital also helped push foreign investment in Mexico from a total of \$4 billion in 1990 to more than double that amount by the first half of 1991.

Economic problems remain. An inflation rate of 17 percent—or even 12 percent—is still too high relative to Mexico's main trading partner, the United States, which has a 4 percent inflation rate. Much of the capital entering Mexico is devoted to portfolio rather than direct investment, which means it could quickly leave if economic or political problems emerged. Finally, by the end of 1991, Mexico's imports began to outpace its exports. Government officials attribute this to increased purchases of capital goods needed for the next phase of

Mexico's industrialization; more critical observers argue that it results from an overvalued exchange rate.

## POLITICAL REFORM ON THE BACK BURNER

Despite these concerns, there was little doubt, least of all among the Mexican people, that the Mexican economy had come a long way since the dark days of 1982. They turned out in record numbers for the August 1991 midterm elections to register their overwhelming approval of Salinas's performance. The election results had been foreshadowed by several public opinion polls before the elections, which had also shown that the Mexican public approved of the president more than his party. This was in part a reflection of the popular perception that economic reform had far outpaced political reform during Salinas's first three years.

Salinas would not deny that he has focused more on economic than on political reform. In fact, he has justified his choice of priorities by referring to events in the former Soviet Union. According to Salinas, Soviet President Mikhail Gorbachev's policy of *glasnost* (openness) destroyed the central political authority that was subsequently needed to implement his economic policy of *perestroika* (restructuring). To avoid a replay of these developments in Mexico, the president implemented "Salinastroika," using the power and authority of Mexico's largely unreformed authoritarian political system. Now that the economic reforms have begun to produce results, Salinas has pledged to pursue his political reform agenda.

The fact that Mexico has proceeded more slowly with political reform does not mean that nothing has been done to move the country toward a less authoritarian system. On the contrary, important political changes took place during the first three years of Salinas's term. The quality of PRI candidates improved considerably. Younger men and women were encouraged to run for office, a welcome improvement from the long-entrenched and often corrupt party hacks who had held power before the 1982 economic crisis. These new candidates often had local bases of support, which made them less dependent on party and government leaders in Mexico City.

The right-of-center National Action party's defeat of the PRI candidate in the July 1989 Baja California Norte gubernatorial elections was another important change. The reversal of the announced results of two gubernatorial races after the August 1991 elections because of fraud was even more significant. In the states of Guanajuato and Nuevo León, the supposedly victorious PRI candidates gave up their governorships, under pressure from Salinas, after they were unable to end mass demonstrations against them. Another factor was the strong criticism of electoral fraud in both states appearing on the editorial pages of influential American newspapers at a time when Mexico was trying to build support in the United States for a free-trade agreement. The

appointment of a National Action party interim governor in Guanajuato makes it the second state to have an opposition governor. New elections there and in Nuevo León are scheduled for early 1993.

It is still too early to determine the full meaning of what happened in Guanajuato and Nuevo León. At worst the reversals could lead to sporadic violence and instability on the local level as opposition parties, whose candidates are officially proclaimed to have lost an election, routinely demonstrate to force a new election. At best, they could discourage the PRI from engaging in the kind of "electoral alchemy" that characterized its behavior in these two states. Although the 1991 midterm elections were the least corrupt in Mexico's history, there is considerable room for improvement.

## CHANGES IN THE PRI

The most important political reform has been the PRI's massive restructuring. Ironically, this has been largely ignored because it has been achieved indirectly. There has been no official declaration that the powerful groups forming the PRI's backbone are to be undermined. Yet this is precisely what has happened as a result of Salinas's efforts to liberalize the Mexican economy.

Since the 1930s the PRI has been organized into three sectors: middle-class organizations, workers, and peasants. The leaders of each have served two masters: their rank and file and the government. In cases of conflict the government usually prevailed. In return for their support, the sector leaders received access to status, power, and material rewards, a portion of which they passed on to those below them as a way of retaining their loyalty.

This authoritarian structure began to crumble with the reduction of the state's role in the economy. First hit were government bureaucrats. The elimination of thousands of government jobs constituted a direct challenge to the white-collar union of public sector workers that formed the core of the party's middle-class power base. Plans under way to restructure Mexico's educational system will undoubtedly weaken the powerful education workers union, another important pillar of the PRI's middle-class base. The labor sector, in turn, lost considerable clout with the arrest and imprisonment of the head of the petroleum workers union and the subsequent reform of practices for awarding contracts from Pemex, the state-owned petroleum company. Finally, the privatization process, which involves selling off many large state enterprises, has also reduced and fragmented the power of both blue- and white-collar unions in the PRI.

The recent decision to reform Mexican agriculture will further erode the PRI's corporatist structure. Until now, the government has used the *ejido* system more as a mechanism for political control of the peasantry than as a way to maximize agricultural production. Peasants were given the land and resources necessary to eke out a living. In return, they voted for the PRI, either volun-

tarily or involuntarily. Once *ejidatarios* are allowed to obtain individual title to their land under the economic reform program, they will no longer be dependent on the government for loans and other agricultural needs. Many may sell their land and migrate to the cities, further changing the structure of Mexican agriculture. However the situation develops, one of the PRI's traditional power bases will certainly decline significantly.

In addition to altering the PRI's structural underpinnings, the economic reforms have created new, more decentralized centers of economic power. These have reduced people's economic as well as political dependence on the government, making it more difficult—if not impossible—for the PRI to rely on captive publics to maintain power. Instead, the PRI will increasingly have to compete on a more level playing field with opposition parties and to implement policies that benefit the voters.

This was already apparent in the 1991 midterm elections. The PRI's impressive majority and the relatively weak showing of the Cárdenista opposition party led many observers to conclude that Mexico's flirtation with multiparty politics was over and that the PRI had resumed its traditional role as Mexico's "official" party. Nothing could be further from the truth. The PRI did well primarily because of the positive results of the economic reform program.

The steep decline in support for the left-of-center opposition parties was less a reflection of electoral dirty tricks than of the electorate's mood, combined with the shortcomings of the opposition parties themselves. The unprecedented one-third of the vote that Cárdenas had received in the 1988 presidential elections was only partially a vote for him. It was also an overwhelming repudiation of the PRI, which voters blamed for Mexico's economic collapse, multibillion-dollar debt, and hyperinflation, as well as the deterioration in living standards that de la Madrid's austerity program was exacerbating. Instead of using the period between the 1988 and 1991 elections to transform the vote against the PRI into a base of support for an institutionalized left-of-center opposition party, the Cárdenistas engaged in intra-party squabbling and continued to offer an economic platform that promised a return to a better past rather than movement toward a more prosperous future.

The PRI's strong showing in the 1991 elections does not mean that opposition parties in Mexico have no future. The PRI landslide was a mandate for Salinas to proceed with his economic reforms. If he fails to meet the expectations of the Mexican people, the PRI's large electoral margin will evaporate in the 1994 presidential elections. This does not necessarily mean that the PRI will lose, but it does offer opportunities for opposition parties to increase their support by promising to take up the banner of Salinastroika.

Additional reforms are needed. At present, opposition parties are virtually excluded from television cam-



paingning, while the PRI, as the party in power, has almost unlimited media access. This inequitable situation is the result of strict time limits placed on appearances by opposition party representatives, whereas PRI representatives can appear repeatedly, wearing their government hats on government-owned channels. It is also the result of the opposition parties' inability to draw on public funds, as the PRI allegedly does, to finance costly campaign advertisements on privately owned television stations. Until this situation is corrected, the real progress that Mexico has made in dismantling its authoritarian political structures will continue to be overlooked or undervalued.

## NEGOTIATING FREE TRADE

The big question for the future is whether the impressive economic and political changes that have occurred in Mexico are reversible. To help ensure that they are not, Salinas began negotiating with the United States and Canada for a free-trade agreement in June 1990. The Mexican administration believed that an international agreement like this would oblige the president's successors to follow his lead.

Until late 1991, conventional wisdom held that a free-trade agreement between Mexico and the United States would be submitted to the United States Congress early in 1992 in order to have a signed agreement before the November 1992 United States presidential elections. The continuing recession in the United States, combined with the November 1991 election victory of Senator Harris Wofford (D-Pa.)—who campaigned against the free-trade agreement—caused the administration of United States President George Bush to reassess its options. It now seems clear that unless the economy visibly improves by early 1992, Bush will postpone sending an agreement to Congress until after the presidential elections.

The most vocal American opposition to a free-trade agreement has come from organized labor, which has made defeat of the pact with Mexico its number one priority. Union leaders argue that considerably lower labor costs in Mexico will lead American firms to relocate south of the border, causing many American workers to

lose their jobs. While it is true that jobs will be lost, especially in labor-intensive industries, it is also true that many more jobs will eventually be created as a result of increased trade between the United States and Mexico. Between 1986 and 1990, for example, as Mexico accelerated its economic opening, trade between Mexico and the United States doubled, creating thousands of new jobs in both countries. In Pennsylvania alone, trade with Mexico increased 220 percent during that period. Yet it is understandable that the United States labor movement has chosen to focus on the short-term losses to its members rather than the long-term gains for workers as a whole.

When Salinas first requested a free-trade agreement, it seemed necessary to lock in Mexico's economic reforms and to attract foreign capital to Mexico. Whether it remains necessary is less clear. When Mexico began its reform process, it was one of the pioneers. Today, with the collapse of communism in eastern Europe and the Soviet Union, open economies and political systems seem to be the only available national development alternative. History is therefore on Mexico's side. Furthermore, with or without a free-trade agreement, bilateral trade between the United States and Mexico will continue to grow. Already more than 85 percent of Mexico's exports enter the United States duty free.

To ensure that Mexico's reforms become truly permanent and less dependent on political vagaries in the United States, Salinas will use the mandate he recently received to complete his reform agenda. He will also consider his choice for the PRI's presidential candidate carefully, selecting someone he believes to be committed to his economic and political reforms. In the absence of a dramatic and unanticipated downturn in Mexico's economy, the odds favor the PRI's candidate in the 1994 election. It is also likely that Mexico's economic and political opening will prove irreversible regardless of whether a free-trade agreement is signed before this November. At some point, of course, Mexico and the United States may find themselves governed by parties that currently oppose a free-trade agreement. By then it may not matter. The openness of both economies will have become a fait accompli. ■

"Unlike his fallen colleagues [in the socialist world], Castro [has shown] that he is an intelligent leader who is fully in touch with reality and who knows he must adjust some of Cuba's economic structures. . . . [W]hile the 'Fidelista' system is clearly more fragile than ever, its overthrow cannot be considered a foregone conclusion. Castro may prove to be motivated more by survival instincts than by Marxist theory, and may yet again land on his feet."

## Cuba's Search for Alternatives

BY GILLIAN GUNN

The Cuban government, the Cuban people, and most of Cuba's foreign partners currently have one characteristic in common: All are searching for alternatives to past patterns. The Cuban government is looking for economic alternatives to trade with the now-defunct socialist bloc and a political model that can accommodate those adjustments while retaining both "socialist principles" and the current leadership. The Cuban people are searching for alternatives to the economically inefficient and politically inflexible system that has shaped Cuba for the last 33 years. Most foreign partners are revising relations with the island to suit their economic self-interest and, in some cases, to try to coax Havana toward internal reform.

Curiously, the one actor in the Cuban drama that has changed the least is the United States. Only in politically powerless sectors of American society are alternatives to the 30-year-old policy of isolation and pressure seriously considered.

### THE GOVERNMENT'S PREDICAMENT

The most urgent question facing the Cuban government is how to survive the disruption of trade ties with the former Soviet Union. In 1988, 86 percent of Cuba's trade was with the socialist bloc. Initially, changes in the socialist world caused Cuba considerable inconvenience, but did not threaten the country's basic economic structure. In mid-1990 the picture began to change. Moscow fell behind on critical oil deliveries, eventually providing

only 10 million tons instead of the promised 13 million tons. At midyear President Fidel Castro announced a "Special Period in Time of Peace," activating austerity plans previously prepared in case of war. By the end of 1990 virtually all consumer goods and food were tightly rationed, and the government was increasingly laying off workers from idled factories. European diplomats in Havana estimated the economy contracted 5 percent that year.

The situation deteriorated further in 1991. A new Cuban-Soviet trade agreement stipulated still tougher terms, linking prices more closely to world market prices and tabulating them in hard currency. For example, Moscow agreed to pay only 25 cents per pound of Cuban sugar, compared with approximately 42 cents between 1979 and 1987. Soviet oil was priced near market levels, and Moscow promised only 10 million tons.

If the Soviet Union had fulfilled the 1991 agreement the Cuban economy would have suffered severe but not crippling austerity. But by the end of September only 38 percent of the products promised for the entire year had actually been delivered. Petroleum deliveries were approximately on schedule, with 7.1 million tons in Cuban hands, but food and raw material deliveries were way behind. In a November interview with the author, Castro said it appeared likely that the Soviet Union would fulfill only half its obligations for the year.<sup>1</sup>

The impact on the Cuban economy has been well publicized. Early in 1991 consumers were limited to four eggs a week; the government began to disconnect electricity to consumers who failed to cut their consumption 10 percent; and in June the bread ration was trimmed to two rolls a day per person. By the end of the year the population still appeared well fed, but it was not unusual for families to face the alternative of eating either breakfast or lunch, as there was insufficient food for both. More factories closed, and their employees were transferred to agricultural work or sent home on reduced pay. Fuel and spare parts shortages took nearly half Cuba's bus fleet out of operation.

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<sup>1</sup> Author's interview with Fidel Castro, November 26, 1991, Havana, Cuba.

It seems likely that the first six months of 1992 will bring the most austere conditions in Cuba since 1959. The failed Soviet coup in August had removed from power many officials who had been well disposed toward Cuba and, equally important, devolved many decision-making powers to the republics. Cuban economists were anticipating that Soviet oil production would fall 20 percent in 1992, and expected deliveries to Cuba would decline at least as much. Trade discussions were hampered by the breakdown of the central government in the Soviet Union; Cuba now had to deal with 25,000 different negotiating units, instead of the previous 60-odd interlocutors.

Not surprisingly, Cuba's economic crises had a profound political impact. In the late 1980s the example of glasnost (openness) in the Soviet Union influenced the thinking of Cuba's intellectuals, who envied the new political and cultural freedoms enjoyed by their colleagues in Moscow and began to agitate for a similar political opening at home. As economic conditions in Cuba deteriorated, discontent spread to other sectors. For the first time since the early 1960s, scattered incidents of worker resistance were reported, including the case of dock workers who refused to load a shipment of rice bound for Iraq in the spring of 1991. In the Cuban Communist party itself intense debates arose over the need to democratize the party and provide greater opportunities for the "masses" to influence decision making.

Faced with these challenges, the Cuban government needs to create economic structures that can integrate the Cuban economy into the capitalist world market while simultaneously salvaging socialism. Research during a three-week stay in Cuba in late 1991 suggests that the government has decided to establish a semi-mixed economy based on a variation of the Chinese model. Specifically, the government is encouraging the creation of economic enclaves in which capitalist rules largely apply, and some social welfare legislation considered detrimental to efficiency is suspended. These enclaves are being deliberately constructed through joint ventures with foreign investors. The strategy was initially limited to tourism, but is now being expanded to virtually all economic activities, including mining, agriculture, and services.

Admittedly, this is an unconventional arrangement. After all, Castro rejects the capitalist model and ends his speeches with the refrain, "Socialism or death." But in his November interview, Castro seemed to confirm the existence of such a strategy.

QUESTION: *I have the impression that Cuba is slowly creating a new type of economy. . . in which small islands of a market economy are being established within the larger socialist economy. . . . Could you give me your interpretation of this situation?*

CASTRO: I am disposed to. . . admit [that there are] elements—I would not call them small islands—of capitalism in certain areas of our socialist system.

[But] in no book of Marx, Engels, or Lenin is it said that it is possible to construct socialism without capital, without technology, and without markets. . . . In the case of a small island like Cuba. . . it is especially difficult to develop using only one's own resources. It is for this reason that we have no alternative but to associate ourselves with foreign companies that can bring capital, technology, and markets. . . . [W]e are dealing with. . . a world where a large part of the socialist system has collapsed.

Observation of the Cuban marketplace also confirms the existence of this new strategy. Cuban officials are offering extremely favorable terms to foreign investors, treating the 1982 law on foreign investment as the floor, rather than the ceiling, for incentives. Guaranteed repatriation of profits and extensive tax holidays are normal, and while the Cuban authorities would like to keep the foreign-equity portion of joint ventures below 50 percent, holdings of up to 100 percent are now allowed if the venture is considered sufficiently attractive. Most joint ventures and many Cuban businesses can retain a large portion of their foreign-exchange earnings in their own names, spending the money as they see fit. Most joint ventures are managed by foreign firms, which pay efficient workers higher wages than the Cuban norm and can fire poor performers. Return on capital so far has been excellent, with the tourism sector reporting returns of between 20 and 25 percent each year.

Cuba has signed approximately 50 joint venture agreements, about 30 of which are in operation. By late November 1991 approximately 200 additional proposals were under consideration. Spanish firms are most prevalent.

Investment has been most vigorous in the tourism sector, producing an increase in the number of tourists visiting the island from 300,000 in 1990 to 400,000 in 1991, and an expected 550,000 in 1992. The last figure is the level attained before the revolution.

Other critical joint ventures involve oil and nickel. Cuba has signed an agreement with the French firm Total, which is now exploring for oil in Cuban waters. Rumors in Europe suggest that initial results have been favorable, though no formal announcement has been made. Much of Cuba's nickel processing industry has been shut down because the Soviet-manufactured power plants used to process the metal require excessive amounts of oil. A Western firm is investing \$1.2 billion to apply new smelter technology and improve fuel efficiency.

While the most publicized component of Cuba's economic strategy concerns joint ventures, there are also several indigenous Cuban components to the shift toward a semi-mixed economy. Management and technical skills gained by observing the performance of the market enclaves will be adopted by Cuban state enterprises, in the hope of enhancing their efficiency. For example, Cuban hotel managers closely watch decisions made by the foreign managers of joint venture hotels and model their own



## Excerpts from Gillian Gunn's November 1991 interview with Cuban President Fidel Castro

**On the "errors" of the Soviet Union**—"They carried out colossal achievements, although they did not know how to design a good pair of shoes. . . . They paid attention to research but they totally neglected the application of scientific advances and technology in many sectors: they had to invent many things that had already been invented; in general their equipment used excess steel and energy, and they did not pay sufficient attention to computerization, at least in the civil field. . . . But these are not errors of the system, they are errors of economic management. . . . A large part of those resources was absorbed in the arms race. This could occur in any system, socialist or capitalist."

"There were political errors, such as the abuse of power and the cult of personality. . . . I mention this only so that you will understand that when I point out the great successes achieved by socialism in that country, I do not ignore the errors they committed."

**On future relations with the republics of the former Soviet Union**—"They need millions of tons of sugar; in turn, we need fuel to carry out the harvest. . . . [I]f we do not have the fuel, we cannot guarantee the sugar harvest, and in this case, the consequences could be negative for many people. . . . [This would] signify 6 million tons less sugar in the 1992 world market. [Such a development would] not benefit Cuba, . . . the Soviet [Union], [or] anyone. . . ."

**On the United States embargo**—"Cuba loses with the blockade, but the United States also loses; we, as . . . a small country, lose in a much higher proportion. The United States loses in a much smaller proportion, but I think that it loses morally and politically before the world, because there is no political or moral justification to sustain the blockade against a small country. . . . It constitutes a giant hypocrisy to speak of human rights while they deprive a population of 11 million of the possibility of acquiring medicine and food from the United States. This did not have. . . nor will it ever have, justification,

much less now when one cannot speak of the cold war or tensions between West and East."

"Furthermore, it implies enormous cynicism to say, as many North American leaders have said, that commerce with Cuba does not interest them because Cuba is a small country, and yes they are interested in commerce with a large Communist country like China because it constitutes an enormous market. Such ways of conceiving politics and ethics are truly repugnant. . . ."

**On the possibility of inviting observers to witness Cuba's 1992 elections** (which will be held under new rules permitting direct election to the provincial and national assemblies)—"Our country is very reluctant about this. . . because it. . . clashes with our dignity."

"We cannot permit the presumption that we would be capable of fraud. . . . We cannot accept even the idea that the honor of the party and the state would be questioned or doubted. . . . [I]t would be extremely difficult for us to accept a formula of inspection here in our country, because this is a revolution, this is a serious country, this is a serious revolutionary process. . . and therefore it demands respect. Nobody wanders about inspecting the elections of the United States. . . ."

**On Cuba's willingness to support a peace accord in El Salvador**—"We absolutely respect the will and the point of view of the FMLN [Farabundo Martí National Liberation Front]; this is the line that we have always followed. If they agree to a peace accord, we will support without any vacillation the accords they adopt and the results that are reached, because they know better than anyone what is desirable for their people, what is desirable for their country, what is desirable for their political and revolutionary objectives. If they decide that in these circumstances they have to arrive at certain accords, that it is necessary to make peace, we will be happy; we will not only support them but also feel satisfied [that] they have reached these accords."

management on what they have learned. The lessons of the market are also being applied in sectors where significant foreign investment does not yet exist, such as agriculture.

Another important but little-known component of the new strategy involves the establishment of a few apparently fully private Cuban companies, owned by Cuban shareholders who are considered trustworthy by the Communist party. These seem to act as bridges between the market enclaves and the larger Cuban economy, and provide a variety of marketing, trade, and financial services.

Cuban officials interviewed in late 1991 made it clear that this strategy was intended not simply to see the country through the current crises, but to continue after the "special period" ends. A high-ranking Communist party official said that even though "recovery" prices would still be used as economic management tools, pay would be linked with production and, most startlingly, "a certain level

of unemployment would be advisable to guarantee economic efficiency."

The new Cuban strategy is designed to adjust the economy to post-cold war conditions, and it may eventually succeed. However, it will probably produce significant economic improvement only in the mid-1990s. To maintain political stability, Cuban authorities are also taking urgent short-term measures, but it is unclear whether these will produce results quickly enough to forestall an economic collapse.

The Food Program is the most important element of the short-term strategy. Thousands of urban workers are being mobilized for two-week stints of voluntary labor in the countryside. Oxen and horses are replacing fuel-starved tractors in the fields, and under a new self-supply initiative even nonagricultural enterprises are growing food for their workers.<sup>2</sup> To date the program has shown limited results, but fields planted in 1990 have not yet matured and production should improve in 1992. Even after the Food Program is fully implemented, however, Cuba will be able to produce locally only between 30 and 40 percent of the food previously imported.

The Cuban Communist party's fourth congress, held in October 1991, considered other measures to cope with

<sup>2</sup>Cuba is importing hundreds of thousands of bicycles from China, and while Havana does not yet resemble Beijing it is moving in that direction. Horse carriages and carts are once again being manufactured for virtually all short-haul operations.

the short-term difficulties, including permission to "work on one's own account," a euphemism for privatization of services. As long as an individual does not employ anyone outside his immediate family, he can now offer any service or product, including food, and price it as he wishes, keeping the profit without paying taxes.

The short-term alternative that generated the most controversy at the congress was the "free farmers markets," which would allow private farmers to sell to the general population in urban areas. The government launched a similar experiment in the early 1980s, only to stop it in 1985. As food shortages became more acute in 1991, however, most Cubans favored re-introduction of the markets, but with regulations to prevent price gouging. Castro emphatically rejected the idea when it was brought up at the congress. Cuban economists expect the issue to be raised again if the food supply continues to dwindle.

### THE GOVERNMENT'S POLITICAL ALTERNATIVE

As in the economic sphere, the Cuban government's political strategy focuses on both long- and short-term problems. Over the extended long term, the government wants to ensure that the establishment of market enclaves and the application of some market mechanisms to the larger economy do not undermine the society's socialist ethos or threaten existing authority. Castro addressed this problem in his November interview. After remarking that there were "elements of capitalism" in the system, he reflected,

What will be the consequences [of these economic developments] for the political and social life of our country? That remains to be seen; at this moment one cannot do more than speculate and make bets. . . . [But] we count on the party as a political and ideological vanguard force. We count on our youth. We count on our powerful mass organizations, politically educated in the principles of socialism, who understand that we are doing what must be done in the existing circumstances, and that it is done to save the country, the revolution, and socialism. . . . That there will be a capitalist ideological influence? This nobody denies. . . . It is a battle we have to face and from which we must emerge victorious.

The authorities are also addressing the system's long-term future by gradually broadening participation in the two institutions that control Cuba's political life: the Communist party and the legislative "People's Power" system. This limited democratization process slowed when the economy turned sour in the second half of 1990, but has not entirely lost momentum.

The October party congress authorized several important changes. It declared that religious believers were eligible for party membership and urged the National Assembly to draft constitutional language prohibiting discrimination on the basis of religious belief. In an attempt to curtail self-censorship of potentially useful ideas, it also

emphasized that in all party discussions members with views contradictory to current party policy should be allowed to express themselves.

The government's short-term strategy for dealing with political tensions resulting from the economy's deterioration combines nationalistic mobilization with repression. The former element was eloquently summarized recently by a Havana resident. He argued that there is a moderately low level of consensus among the Cuban people about economic matters, but quite a high level of consensus about Cuba's national pride and the need to resist interference from the United States. The external environment, he pointed out, permits the Cuban government to link the high-consensus issue with the low-consensus one. Specifically, Castro can argue that any break in unity will provide opportunities for the United States to interfere in Cuban affairs and that many of Cuba's problems are caused by the 30-year-old American embargo. Paradoxically, Washington has recently helped Castro make these arguments by tightening some elements of the embargo, increasing pressure on other countries to curtail commerce with Cuba, and carrying out military maneuvers near the island.

The repressive element of the short-term strategy has long been held in reserve, but it is now becoming more evident. I once asked a Cuban official if an incident like the Tiananmen Square massacre could occur in Cuba. He answered, "No, because we would never let it get that far." The statement reflected the government's intention to nip revolts in the bud, before they have a chance to build momentum. That "nipping" is now under way, as demonstrated by the recent treatment of Cuba's increasingly energetic human rights activists.

Castro summarized the new approach in his interview:

We do not see these people as defenders of human rights, but as groups that act with the United States and that have one purpose—to destroy the revolution. . . . Nonetheless, when they limit themselves solely to publicity activity, when they talk with journalists and foreign visitors. . . . we do not molest them. But when they violate the law, when they carry out activities against the revolution, then we simply cannot and will not tolerate them.

This lack of toleration was amply illustrated in late November by the arrest of Maria Elena Cruz Varela and her swift sentencing to two years in prison. Cruz, the head of an organization calling for broader democratization, has been in contact with Cuban exiles whom the Cuban government claims are connected with the United States Central Intelligence Agency. She was arrested after distributing some political pamphlets. Around the time of her arrest, other activists were warned by security officials that "the people" were becoming increasingly angry with the activists' behavior and that the authorities "might not be able to provide protection." The "people" referred to were

presumably the Rapid Response Brigades—groups of pro-government citizens who gather outside the houses of activists to shout insults and throw eggs.

Will the government's strategy of long-term ideological reinforcement, partial democratization, and short-term repression work? The answer depends on many variables, the most important of which is the political psychology of the Cuban people.

## THE CUBAN PEOPLE

It is difficult to gauge the attitudes of the Cuban people. Recent interviews nonetheless suggest that while Cubans are increasingly exasperated with their government's failure to solve economic problems and would like the system to be more politically responsive, most find no alternative offered by leaders inside or outside Cuba sufficiently attractive to tempt them to confront the authorities.

A 34-year-old college-educated woman remarked to the author that Cuba was in such bad shape because "we have a rigid president who refuses to change"; she speculated that capitalism might work better and blamed her government for not improving relations with the United States. Asked about her attitude toward Castro, she said, "I have strong nostalgic feelings for him. He is not corrupt, and he is responsible for what I am. Without him I would have no education." Would she consider any other Cuban leader a good alternative to Castro? "Nobody has his standing," she replied. Asked about her reaction to any possible American intervention, she said, "I like the American people, but they do not belong here. If there were a threat I would go down to the beach with a gun with all the others."

Two young women at Copélia, Havana's main ice cream parlor, adopted a skeptical though not outright critical position regarding the future of Cuban socialism. When asked about the human rights activists, however, one of the women remarked, "Those people are just like the counterrevolutionaries who planted bombs in cinemas just after the revolution"; her companion nodded in vigorous agreement. "They have nothing to offer Cuba."

The most vocal opponent of the regime encountered by the author was a man in his mid-forties whose merchant family had lost most of its property through confiscations. The only solution for Cuba, he said, would be for the United States to invade and kill Castro. Did he experience problems with the local political authorities because of his views? "Nobody in the neighborhood knows my views—I keep them to myself."

And then there was a thirty-something intellectual who favored a mixed economy and replacement of the Communist party with a more democratic single party. "People think of Fidel as one thinks of a father," she said. "You

may be annoyed with him, and disagree with him, but in a crisis you trust that his decisions will be motivated by what he thinks is best for the entire family."

This tiny cross section of Cuban society is hardly a statistically valid sample, but it confirms two conclusions reflected in other anecdotal accounts. First, Castro possesses a certain "Teflon factor"; many citizens who criticize his policies still admire him as a historical figure, and are reluctant to consider any political alternative that would involve disowning him. Second, even the most "counterrevolutionary" have little idea what Cuba's only organized opposition—the human rights activists—stands for, and expect that an alternative political structure will come about through external intervention rather than internal agitation.

## FOREIGN PARTNERS

Cuba's future is influenced not only by government strategies and the reactions of the Cuban people but by international events. Among the most important foreign partners influencing Cuba's future are the republics of the former Soviet Union. They no longer have an ideological motivation to assist Cuba, and their strategic motivation is considerably diminished. However, at least some of the former republics may continue trade relations. For one thing, in 1991 Soviet-Cuban trade was no longer reliant on subsidies, so individual republics would not gain much by switching to other suppliers.<sup>3</sup>

In addition, most of them need Cuba's sugar. While Cuba's 1991 price was considerably higher than the world market price at which less than one-fifth of the world's sugar changes hands, it was close to the price paid by the United States and the European Community for similar long-term guaranteed supply contracts. The United States has tried to locate other sources of sugar in the hope that the former republics would abandon Havana, but has discovered that alternative supplies are available only at higher prices.

Economic chaos in the republics and the disappearance of the last vestiges of ideological solidarity after the August coup attempt mean that supplies from the former Soviet Union will inevitably decline substantially in 1992. But some oil deliveries will probably continue as payment for goods the former republics need from Cuba. Cuba already has bilateral contracts with five of them, including Russia.

A second critical category of foreign partners is found in Latin America. Cuba has ceased all aid to insurgents in the region, and is energetically wooing its Latin neighbors, hoping for expanded trade opportunities and diplomatic allies. Latin American reaction has been divided. The so-called Group of Three, comprising Mexico, Venezuela, and Colombia, argues that Cuba's internal political system can be influenced more through diplomatic and economic interchange than through intense isolation and pressure; they have offered to mediate between Washington and Havana. The influence-through-contact argument is also supported, in varying degrees, by Brazil, Peru, and Chile.

<sup>3</sup>Author's confidential interview with a United States government analyst, November 1991, Washington, D.C.



The Group of Three governments have been in close contact with Castro, urging him to implement more radical economic and political reforms. Since two of the three member states possess oil, observers speculate that they may gain more influence if petroleum deliveries from the former Soviet Union drop sharply. Cuba has proposed that Mexico use its excess refining capacity in return for oil supplies, but Mexico has not accepted the offer.

When Cuba sponsored a United Nations resolution calling the United States embargo a violation of human rights, the Latin American countries did not support it, creating a setback in Cuba's diplomatic overtures. In his interview, Castro blamed the United States for pressuring the Latin American countries to abstain, but predicted United States policy would eventually backfire. "The governments are increasingly tired of those who give orders from outside," he said, "[because] there is solidarity. . . among the Latin American masses regarding Cuba. . . . surrender or subservience to the United States can politically weaken any government."

Although this is an overstatement, Castro does have a point. There are still important leftist constituencies in many Latin American states who are growing uneasy about their government's increasing trade and diplomatic ties with the United States. Standing up to Washington regarding Cuba is one relatively inexpensive way to placate those constituencies.

Spain, one of Cuba's most important foreign investors, also argues that contact rather than isolation will encourage internal Cuban reform. However, Madrid combines this with vigorous efforts to help Cuba's beleaguered human rights community. Its embassy in Havana has taken over some functions previously provided by the United States Interest Section, publicizing incidents of human rights abuses and, going even further than Washington, energetically facilitating delivery of supplies to activists. Spain seems to assume that it is in a better position to support the activists since, unlike the United States, it has economic leverage with Castro. In his interview, however, Castro flatly stated that even if critical trade partners objected to the treatment of activists, Cuban government policy would not change because "the revolution has to defend itself."

The only important foreign actor not rethinking its approach to Cuba is, ironically, the United States. Parts of the American academic community, moderate Cuban-American organizations, and some human rights activists in Cuba have argued that a less confrontational posture would undermine Castro's political base more effectively than confrontation, because it would limit the Cuban leader's ability to appeal to Cuban nationalism and divert blame for the island's economic predicament.

Official United States policy remains largely unresponsive to these ideas. In mid-1991 the embargo was tightened, cutting remittances Cuban-Americans are allowed to send to relatives in Cuba and limiting the fees payable to the Cuban Interest Section for visa processing. Extension

of the embargo to American subsidiaries in third countries remains under consideration in Congress.

President George Bush made one helpful statement in 1991, declaring on May 20 that the United States had no aggressive intentions toward Cuba. However, in the same speech he called Castro a "dictator" and demanded that Cuba hold "fully free and fair elections under international supervision" before relations could improve. The impact of the speech was also somewhat blunted by the date of its delivery. The United States considers May 20 the anniversary of Cuban independence. Most Cubans consider it the anniversary of the Platt Amendment to the Cuban constitution, which gave Washington the right to intervene in Cuban affairs. The resumption of Caribbean military maneuvers after United States forces returned from the Persian Gulf war in early 1991, including rehearsal of a Cuba invasion, also caused Bush's words to ring hollow. Speculation by sectors of the United States government that Washington might eventually have to consider "humanitarian intervention" in Cuba did further damage, even though this apparently did not represent official policy. In short, the cold war continues in the Caribbean even as it melts virtually everywhere else.

## CAN A SOCIALIST CUBA SURVIVE?

Can Cuba establish market enclaves rapidly enough to forestall economic chaos, yet slowly enough to ensure the containment of the politically destabilizing influence of the enclaves? If the August 1991 coup in the Soviet Union had not occurred, Cuba probably could have struck that delicate balance. Now the outcome is less certain. Will the short-term economic plans tide the economy over until the long-term strategy produces results? If the republics of the former Soviet Union continue to provide oil, even at reduced amounts, the short-term strategy could work, but if the oil stops flowing and alternative supplies are not found survival becomes more doubtful. Will the political strategy of long-term ideological efforts, partial democratization, and short-term repression maintain the current leadership's authority? The possibility of a successful outcome cannot be rejected, particularly if the United States continues to help Castro link economic conditions to nationalism.

In his interview, the aging Castro revealed that he is a proud man who does not want to change. In that he resembles many other socialist leaders whose systems are now on the proverbial "dust heap of history." Unlike his fallen colleagues, however, Castro showed in the same encounter that he is an intelligent leader who is fully in touch with reality and who knows he must adjust some of Cuba's economic structures to permit the country to interact profitably with the new international order. Thus while the "Fidelista" system is clearly more fragile than ever, its overthrow cannot be considered a foregone conclusion. Castro may prove to be motivated more by survival instincts than by Marxist theory, and may yet again land on his feet. ■

The exultation that greeted Jean-Bertrand Aristide's election to the presidency in Haiti was cut short by his overthrow last September. As international sanctions and negotiations attempt to return him to power, Anthony Maingot examines why Aristide was ousted: "Haitian politics. . . is a deadly game in which there are no second prizes; winning is everything. Call it holistic intransigence. This certainly explains the overthrow of Aristide. But it also partly explains Aristide's unwillingness to compromise with those who overthrew him."

## Haiti and Aristide: The Legacy of History

BY ANTHONY P. MAINGOT

**D**emocracy," Haitian President Jean-Bertrand Aristide told the United Nations, "has won out for good, the roots are growing stronger and stronger." This was September 25, 1991. One week later, Aristide ("Titye" to his followers) was deposed in a coup d'état. The regime of the only internationally certified, freely elected president of Haiti had lasted seven months. The Haitian people who had cast their votes for the changes Aristide promised were robbed of their hopes.

Was there any foundation for these public hopes and for Aristide's optimism before the UN? Does his fall reveal anything new about the processes of power and politics in Haiti?

### THE HEAVY HAND OF THE PAST

Any analysis of Haiti must begin with history if for no other reason than the fact that few people in the modern world have paid a higher price for their nationhood than the Haitians. They secured their independence not through negotiations in the palaces of Europe but on their island's battlefields. Despite, or perhaps because of this, they have gone through an anguished and violent search for the meaning and ultimate purpose of their nation. In Haiti historical accounts are often retold in the present tense, and there is always a distinct feeling that memories are especially long about perceived grievances. Perhaps the first grievance is a pervasive sense that when push comes to shove, Haiti stands alone. It is not an altogether irrational sentiment.

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The first explicit rejection of Haiti as a member of the hemisphere came in 1825, when Simón Bolívar, the liberator of northern South America, organized the Congress of Panama in an attempt to unify the region's newly independent states. Bolívar had instructed that neither the United States nor Haiti be invited because "they each present special inconveniences." The United States "inconvenience" was already evident in its imperialistic inclinations. The Haitian case was much more complex, but in the final analysis came down to one thing: race. Haitians were "Africans."

Lobbying by the Colombians and Central Americans eventually led to an invitation for the United States; the Haitians, however, did not have a single friend at court. In fact, the two delegates sent by Bolívar to the congress were given these instructions: "The government. . . regards with repugnance the idea of treating Haiti with the same considerations of etiquette generally maintained between civilized nations. . . . On this score you are authorized to evade any topic which has as [its] object recognizing the independence of Haiti."

This mirrored the United States position. A researcher attempting to understand the American stance discovers many Haitian diplomatic initiatives filed with the following note appended: "Not to be answered (by direction of the President)."

What crime had Haitians committed to deserve such severe treatment? They had vowed to liberate slaves in the hemisphere, by force if necessary. Recognition for Haiti was eventually purchased from France for an astronomical figure. This partly explains the vicious cycle of unpayable foreign loans, tax squeezes, and tax rebellions that have kept the island in turmoil for most of its history.

Paralleling the isolation and discrimination of the international community was the pervasive absence of any sense of national or political cohesion. Should Haiti be an empire, as some early rulers thought, or should it

be a republic, the choice of most of its leaders? If a republic, should the president serve for life? Or should he rule for a predetermined period? The clamor for one's hero to be made president for life is not dead: before his overthrow, Haitian crowds chanted, "Titide, President à vie!" He, of course, rejected any such idea. However, only two presidents in the island's history have relinquished power voluntarily; and by the time the second resigned in disgust in 1879, Haiti had had 69 "revolutions," and the worst was yet to come.

In the final analysis all this mattered only to what the peasants, who make up 90 percent of the population, would call *les grands nègres*, the "big men," that is, those who aspired to and played for power in the "republic" of the capital city, Port-au-Prince. As the people have always said, the elites own the deck of cards; they do the shuffling and, of course, the constant reshuffling.

### THE US OCCUPATION AND HAITIAN POLITICS

In 1915, United States President Woodrow Wilson, who had taken to heart Teddy Roosevelt's recommendation that with the opening up of the Panama Canal the United States would have to become the region's policeman, sent the Marines into Haiti. The justification was the total breakdown of law and order after a massacre of political prisoners in the Presidential Palace, but the real reason was geopolitical. Once there, that other side of American behavior abroad, republican humanitarianism, also came into play. Unfortunately, it did more bad than good, because it was a humanitarianism fraught with the rotten stuff of Jim Crow racism. By the time the Marines exited in 1934, they had pacified the country by killing between 2,500 and 3,500 Haitian "guerrillas" but left a bitter legacy. Today that intervention remains a ready target for Haitians who would pin every ill—from militarism to dictatorship—on the Americans.

It is true that the American occupation and creation of a "professional" military force bequeathed a fact of extraordinary significance for the future of Haitian politics: it eliminated the peasant guerrilla. In a barren country such as Haiti, guerrillas have been no match for an organized military force that enjoys aerial observation and surveillance capabilities. Thus occurred the genesis of the fundamental principle of Haitian politics: whoever can control the army in the city controls uncontested state power. Only splits in the army, not degrees of popular support; bring down governments in Haiti.

The conflicts that occurred between the end of the occupation and the rise of François (Papa Doc) Duvalier in 1957 were traditional ones between black and mulatto elites and their supporters in the army. Much of this changed in the first years of the Duvalier presidency. Faced with a rebellious officer corps, Duvalier first built two counterforces: a paramilitary guard soon nicknamed the "Tontons Macoute," and then the much larger National Security Volunteers. Second, he instituted—and systematically carried out—the death penalty for

conspiracy, whether actual or even seriously contemplated.

This sketch of Haitian political history highlights the second fundamental operating principle of Haitian politics: it is a deadly game in which there are no second prizes; winning is everything. Call it holistic intransigence. This certainly explains the overthrow of Aristide. But it also partly explains Aristide's unwillingness to compromise with those who overthrew him.

While Aristide possesses some characteristics of Haitian political culture, he does not exhibit them all. He is certainly not as cold-blooded as the greatest survivor in modern Haitian history, Papa Doc Duvalier. Many of his most ardent followers, however, were not as hesitant to exact blood vengeance. The story, then, is a complex one combining continuities with a violent past, attempted changes by an idealistic group, and above all, the dramatic figure of Jean-Bertrand Aristide.

### THE POLITICS OF CHAOS AND ARISTIDE'S ELECTION

National and international revulsion at the attack by armed thugs on Aristide's St. Jean Bosco Church on September 11, 1988—which left 13 dead and 70 wounded—led to the overthrow of Henri Namphy's military government on September 18. Another wing of the military was ready to occupy the Presidential Palace. It was time to put one's hopes on yet another uniformed man, namely General Prosper Avril, who was once a loyal servant of the Duvaliers—a true wolf in sheep's clothing. Hope has to spring eternal among those who follow Haitian events, even though that hope invariably flies in the face of incontrovertible experience. "Of the four governments to rule Haiti since the departure of Jean-Claude Duvalier," United States Deputy Assistant Secretary of State for Caribbean Affairs Richard Melton said after the coup, "we judge the Avril government as offering the best, and perhaps the last real chance for democratic reform in Haiti for the foreseeable future."

Melton spoke too soon. Although the bloody attack on Aristide and his parishioners had triggered the coup, that event should have alerted Haiti watchers to the disintegration in the military. A series of purges in the post-Duvalier period had fissured the military hierarchy. And this at a time when the benefits from smuggling (from toothpaste to illegal drugs) were increasing the perquisites of a military career. Indiscipline and greed are fatal to any organized body, and perhaps even more so to one that has a monopoly on force. It is therefore important to note that the coup that brought down Namphy was led by Sergeant Joseph Hébreux and his noncommissioned officer colleagues. It was the first entry into Haitian politics of the *ti soldats* (little soldiers), a fact that gave the more populist-oriented some hope. It should not have—Haiti was sliding toward anarchy.

Paralleling the collapse of military discipline was the rise of a series of paramilitary groups, again without any



known central command. Haitians called them variously *grupes sans maman* (groups without mothers), *zengleno* (bandits), or simply *escadrons de la mort* (death squads).

In March 1990 the pattern of apparently uncontrollable anarchic behavior—strikes, crime, roving gangs—brought down the Avril regime. This time General Hérard Abraham was the savior, mainly because he did not take the presidential sash himself but rather bestowed it on Ertha Pascal-Trouillot, a Supreme Court justice.

Abraham won the respect of a wide array of foreign groups, from the Organization of American States (OAS) to President Jimmy Carter's special electoral observation team. The state machinery, however, was in an advanced state of decomposition. Military units in outlying towns refused to accept the officers assigned by Abraham. Pascal-Trouillot admitted that her government was unable to collect taxes and pay its employees. Even the committee Abraham set up for the free elections he had called was said to be penniless.

Haiti thus held its first truly democratic elections on December 16, 1990, in a state of near anarchy and with a bankrupt government. The elections were carried out with foreign funding (an estimated \$40 million), under foreign supervision (civilian and military), and even with foreign management.

These were the elections that Aristide swept with a movement called *Se Lavalas* (We will wash away).

## ENTER JEAN-BERTRAND ARISTIDE

Aristide never gave the appearance of being a conventional seeker of formal political office. In fact, he made a distinct point of dismissing constitutional and party politics as irrelevant.

Asked as late as May 1990 whether he had political ambitions, he responded, "I do not suffer from that sickness." And yet he constantly advocated and called for political change. So sudden and unexpected was Aristide's entry into the 1990 electoral campaign that he was not listed in the May 29, 1990, election handbook prepared by the National Democratic Institute for International Affairs.

Who, then, was Father Aristide?

Born in 1954, Aristide was the son of an educated and devoutly Roman Catholic Haitian family. After joining the Salesian teaching order he pursued advanced studies in the Dominican Republic, Israel, and Canada. Thoroughly influenced by the more radical wing of Latin American liberation theology, Aristide was an early member of what came to be known as the *Ti L'égliz* (Little Church). His antagonism to the established Church

hierarchy was equaled only by his dislike of the local bourgeoisie. In sermons from St. Jean Bosco Church in the Port-au-Prince slum of La Saline, Aristide frequently used biblical passages to preach rebellion. Advocating the right of the common people to defend themselves, Aristide would quote from the Gospel of St. Luke, where Christ is cited as saying, "And he that hath no sword, let him sell his garment and buy one."

Neither Aristide nor his followers seemed to have accumulated any swords. His followers defended him by their willingness to die for him. A human shield appeared to be his only protection. No one can read Amy Wilentz's account of Aristide and not be moved by the apparently total and unconditional devotion of his supporters, even as he seemed to welcome martyrdom.<sup>1</sup>

In the 1988 attack during his service at St. Jean Bosco Church, Aristide had to be forcibly moved to safety by his parishioners. Whether because of raw courage or some irrational aspect of his personality, Aristide's many brushes with—and miraculous escapes from—death have become part of his charisma. "Mister Miracles" they call him. It would be a true miracle, indeed, if such constant confrontations with brutality and death did not affect his personality. They appear to have done just that. A newspaper report from the foreign journalist group that is closest to him described Aristide this way: "Nervous by disposition, Aristide suffers from periodic prostrations that leave him virtually out of touch with the world around him. He has on occasion appeared catatonic, almost haunted, as if totally overwhelmed by some frozen image of the most recent blood-letting."<sup>2</sup>

His was more a messianic movement than a campaign. "You see," Aristide told a veteran Haiti watcher, "I don't have to campaign. It's the people who will do the campaigning." He had, he said, "accepted this rendezvous with history"; he was "one with the Haitian spirit." Certainly his status as a priest, even though expelled from the Salesian order, contributed to this nearly ethereal image. "Titide's not like the others," exclaimed a market woman. "He does not have any woman, so he wouldn't be spending the country's money on fancy cars and diamond necklaces. He's pure." Nothing here of the traditional Haitian-Caribbean macho man. The aura of purity and cleansing the *Se Lavalas* movement invoked was a winning combination; Aristide won nearly 70 percent of the vote in an election that attracted 85 percent of the electorate. He swept every section of the island. It was a national victory.

## THE ARISTIDE INTERREGNUM

Midway through the Aristide administration, a source in the Presidential Palace told the press, "An adversary you can argue with is better than a blundering ally."

Aristide's political problem had been evident from the start. Surrounded by ideologues and idealists, all political amateurs, Aristide never seemed able to distinguish friend from foe. Worse, he never seemed interested in

<sup>1</sup>Any Wilentz, *Rainy Season: Haiti Since Duvalier* (New York: Simon and Schuster, 1989).

<sup>2</sup>*Newsday*, May 14, 1990, p. 16; see also similar accounts in Wilentz, op. cit.

the profane art of political maneuvering. In fact, he seemed to excel at turning allies into opponents. It need not have been that way. Despite social chaos and the bankruptcy of the state, Aristide had several things going for him in addition to his massive popular support.

- The January 7, 1991, coup attempted by former Duvalierists under Roger Lafontant was quashed by loyalist troops and massive public protests. His most dangerous known enemy was now in jail, and many others were in flight.
- The international community responded enthusiastically to his electoral victory. French President François Mitterrand received him in Paris (the first Haitian president so invited); the United States restored, and doubled, its direct aid to the Haitian government, which had been suspended since the aborted elections of 1987.
- The leading opposition figures, Marc Bazin and Louis Dejoie 3d, pledged to settle their policy differences in the parliament, not in the street.

But several acts of commission or omission weakened Aristide's hand early on.

- His failure to speak out forcibly against mob violence by his followers. The practice of *père lebrun* (putting a burning tire around an enemy's neck) was never sufficiently condemned. More than 100 perceived Aristide enemies were so executed after the failed Lafontant coup. And Aristide's already strained relations with the Church hierarchy deteriorated dramatically after the Papal Nunciature and Haiti's oldest cathedral were burned to the ground, and the papal nuncio and his Zairean deputy were then beaten and made to walk nearly naked down the street.
- His arrest on April 4, 1991, of former President Pascal-Trouillot on vague and unsubstantiated conspiracy charges. Fear of arbitrary arrest spread through the already wary opposition ranks.
- His sweeping purges of the army top command, including the retirement in July of General Abraham, who had managed the peaceful transfer of power. Traditional Haitian military apprehensions about civilian intentions intensified.
- His sudden, and some say intemperate and threatening, request in mid-April that the "monied classes" contribute millions of dollars to the state. He gave them four days to do so. It

reminded some of Duvalier's notorious "voluntary contributions" campaigns.

All of this could have been managed or at least explained away if Aristide had not committed his most costly error: marginalizing, then antagonizing and eventually attacking his own political party and its followers in the legislature. This behavior best revealed not only Aristide's *modus operandi* but how soon and completely he had acquired the Haitian habit of emphasizing the presidency as the only significant office.

Although it held only 40 of the 110 seats in parliament, Aristide's National Front for Change and Democracy (FNDC) initially controlled the presidency and other significant posts in that legislature. It was with his own party that Aristide had his major confrontations as it attempted to exercise checks and balances on the executive, the single most important feature of the 1987 constitution. Many parties had participated in drawing up that constitution and took their role in the new politics seriously. They were indignant about being ignored in appointments, policies, or, indeed, even informal consultation.

Not surprisingly, it was Aristide's own FNDC legislators who began to call for the resignation of Aristide's prime minister, René Préval, and it was this group that was violently threatened with individual *père lebruns* if they proceeded with their plans. Under pressure from the executive, the FNDC lost control over parliament to minor opposition parties. One of these, the minuscule National Patriotic Movement-November 28, secured the presidency of the Senate, making its leader, Dejean Belizaire, a formidable opponent of Aristide's. Belizaire would emerge as one of the legislative leaders opposing Aristide's return to the presidency after his ouster.

By early May the complaints about Aristide's style had become a chorus. The president was, they said, surrounded by incompetent "yes men"; he did not "trust people." Others spoke of a "Jekyll-and-Hyde" approach to issues. Human rights activist and Aristide supporter Jean-Claude Bajeux summed up the situation: "Aristide," he lamented, "has established himself as the parish priest of the National Palace."

No one, however, predicted a significant political crisis. The army was thought to have been brought under civilian control. The government had secured a \$422-million loan from a World Bank-led consortium, and the United States ambassador, Alvin P. Adams, Jr., commented that Aristide "has gotten off to a very credible start. The process is well begun." Even the formerly skeptical business community was cheered by what it perceived as a new realism on Aristide's part.

In September Aristide made a triumphal trip to the UN, and received keys to the cities of New York and Miami. On September 30, the day after his return to Haiti, Aristide was overthrown by what was apparently a rabble of soldiers and police. The *ti soldats* brutally sup-

pressed public protests, and the president was courageously freed from detention and escorted to the airport by the French and United States ambassadors.

### WHAT TO EXPECT?

The accusation that the Haitian elite and the army overthrew Aristide is certainly unimpeachable. But it does not tell the whole story. After all, no one, certainly not Aristide, ever entertained the illusion that the bourgeoisie was his friend. The same holds true for many of the corrupt bureaucrats and military men. Their interests were direct targets of Aristide's speeches and policies. The task is not to ask who were his class enemies but rather, who were his steadfast friends, and did they—could they—make any difference in the boiling Haitian political caldron?

Part of the answer to the first part of the question can be approached from the angle of the experienced editor of Haiti's *Le Nouvelliste*, who wrote on August 30, 1991, that the "fratricidal" struggle for power between Aristide and his *Selavalassien* clique and the members of the FNCD could "end in a catastrophe." The explanation was relatively simple: The former have the mantle of newness, honesty, and sincerity, and the latter have the political sagacity and contacts.

Ah, Niccolò, where were you when Aristide and his

crusaders needed you! With his constitutional-institutional space shrinking, Aristide turned to what he did best—haranguing the masses. Day after day, from one end of the island to the other, the president and his prime minister personally dealt with the increasing military mutinies, strikes, food protests, and land disputes. Aristide's efficiency plunged even as his popularity soared. And this created a negative cycle: the lower the ability to cope with "conventional" politics (in the Haitian sense), the greater the appeal to populism, which, in turn, makes more apprehensive, aroused, and dangerous the practitioners of conventional politics. In Haiti, from time immemorial, it is the latter who have held the trump cards.

In his superbly revealing study of Haitian politics, David Nicholls cautions that when Haitians quote the proverb, "*Apré bon dié sé léta*" (After God comes the state), "it is not the goodness or the benevolence of God that people have in mind; it is rather His remoteness, unpredictability, and power."<sup>3</sup>

If this is true of God, how much truer it must be of the state, which is especially feared by that mass of dispossessed—and increasingly displaced—peasants. For 200 years the meager yet amazingly munificent cow called the state has nurtured a small elite and a much larger middle sector. The Kingdom of Heaven might well belong to the 85 percent who are Aristide's beloved poor, but the key to these pearly gates is held by the 15 percent who use the state to avoid joining the great unwashed. This key eluded Aristide. ■

<sup>3</sup>David Nicholls, *Haiti in the Caribbean Context* (New York: St. Martin's Press, 1985), p. 220.



"Nicaragua's politics are closely followed in El Salvador and Guatemala. . . . [T]he diverse political actors in [these two countries] will surely arrive at their own conclusions about the lessons of Nicaragua's experience. The conclusions they reach will be tested by a Central America that has decidedly changed since the decade of revolution and revolutionary insurgency."

## The Fading of the Revolutionary Era in Central America

BY FORREST D. COLBURN

**A**n era of revolution and revolutionary insurgency has apparently ended in Central America. In Nicaragua the Sandinista regime was replaced in 1990 with the elected government of Violeta Barrios de Chamorro. On January 2, 1992, the government of El Salvador and the Farabundo Martí National Liberation Front (FMLN) signed an agreement to end the country's 12 years of civil war. And continued negotiations between the government and guerrilla groups in Guatemala appear promising. The collapse of socialism in eastern Europe and the Soviet Union gives the impression to many inside and outside Central America that it is futile to try to transform small, impoverished countries through revolution. The United States has fostered an alternative: all five Central American countries are now led by democratically elected civilians and in each country the basic institutions of liberal democracy are in place.

The passing of this era does not simply mean that bids for revolution in Nicaragua, El Salvador, and Guatemala have been defeated or exhausted and that liberal democracy has triumphed. In the last decade the three countries, which have suffered so much anguish, have undergone profound changes. What are the implications, for example, of the fact that one in five Salvadorans lives outside El Salvador? What significance is there in the fact that one-third of Guatemalans belong to evangelical churches? What are the consequences of Sandinista labor organizations? And what is the impact of the reduction in

Nicaragua's cotton crop—the largest generator of foreign exchange and employment—to one-tenth its 1977 level?

These questions are difficult to answer individually. Collectively they suggest how society, economy, and state in Central America were transformed during the 1980s. In a surreal fashion, the isthmus has become strangely modern, with some characteristics of postindustrial states amid the region's traditional poverty: citizens are politically informed, active, and organized; there is a constant international flow of people, goods, and capital; and economies are increasingly dependent on services rather than agriculture and industry.

Authority may be as centralized as ever in Central America, but power is now dispersed and localized. Moreover, unlike Mexico after the Revolution of 1910–1920 or Colombia after the civil war of 1946–1958, the insurrections in Central America have not led to a desire for political accommodation. The net political result of the era of insurrection is that the region is more politicized and factionalized, and therefore more difficult to govern.

### REVOLUTIONARIES RECONSIDER

Over the last few years erstwhile revolutionaries in Central America have rethought their convictions. The pause was provided by the Sandinista regime's intractable difficulties and ensuing electoral defeat in February 1990, as well as the collapse of socialism in eastern Europe and the Soviet Union. The latter is more than an issue of political philosophy. Throughout much of the Sandinista regime's tenure, assistance from the Soviet Union equaled twice the value of Nicaraguan exports. As a sympathizer from Argentina concluded in 1987, "Assistance from the 'advanced' revolutions is essential to guarantee the initial viability of social revolutions in less-developed and highly dependent economies."<sup>1</sup> With the present prospect of no foreign assistance, social revolution no longer appears a tenable option in Central America. Examples of this changed thinking abound. One former Sandinista *comandante*, Luis Carrión, is studying at the Harvard University

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<sup>1</sup>Carlos Vilas, "Trouble Everywhere," in Rose Spalding, ed., *The Political Economy of Revolutionary Nicaragua* (Boston: Allen and Unwin, 1987), pp. 245, 246.

Kennedy School of Government. The Sandinista newspaper, *Barricada*, has changed its masthead: gone is the guerrilla firing an automatic rifle from atop a barricade, and the picture of Sandino has been replaced with a picture of his hat.

Published interviews with members of El Salvador's FMLN suggest that at least the organization's leadership has retreated from its heady ambitions of the early 1980s. The Guatemalan guerrilla groups, united into the Guatemalan National Revolutionary Unity (URNG), are less open about their aspirations, but their willingness to negotiate with the intransigent Guatemalan government also suggests moderation.

While revolution and socialism may seem increasingly untenable to the Central American armed left, this has not led to a decline in militancy. The left has evidently replaced its interest in seizing the state and using it to remake society with less ambitious drives to control resources or territory. At the same time, the left hopes to incite society to make claims on a state that it grudgingly acknowledges must be run by the "bourgeoisie." Thus the defeated Sandinistas cling to their hold on the military, the police, and the unions, and implore their fellow Nicaraguans to make demands on Chamorro's government. In El Salvador the FMLN is negotiating not only its protection from the armed forces but also integration into the armed forces and the police, and control of the territory it has held for much of the civil war. The armed left has become, or is becoming, more than just a political party; it is attempting to be a government within a government.

By doing so the left can better shield itself from recrimination, control resources, and create a stronger pulpit from which to evangelize. But the government is disadvantaged because power, resources, and even territory have become factionalized. In the extreme a country can become a collection of fiefdoms with the government weakened to the point that it engages in little more than sporadic attempts at negotiating compromises.

This may be the fate of Nicaragua, where one of the most ominous developments is the reemergence of the counterrevolutionaries, the contras. Some disbanded contras have regrouped and taken up arms. These groups, called *recontra* by Nicaraguans, have not yet undertaken serious military acts. Predictably, their reconstitution has prompted the reinstatement of some Sandinista militias. But the Nicaraguan army, still called the People's Sandinista army, has also closed bases in the territory occupied by the *recontra*. It seems everyone can have his own fiefdom from which to make demands on a forever bankrupt state. A possible future parallel in El Salvador can be seen with the Salvadoran Anti-Communist Front's threat to unleash "a truly bloody war" if peace is reached between the government and the FMLN.

Hope for an alternative to these gloomy trends was

placed on the first party congress of the Sandinista National Liberation Front (FSLN), held in July 1991. The central questions were the extent of the FSLN's "rethinking" and the vision it would present to match the aspirations of the left with the contemporary realities of Central America. But nothing new emerged from the 400 delegates attending the congress. Revealingly, all seven members of the national directorate were reelected, and former President Daniel Ortega Saavedra was confirmed as party leader (with the quaint title of secretary general). The directorate was enlarged with the addition of former Vice President Sergio Ramírez and René Núñez, brother of the late national directorate member Carlos Núñez. Daniel's brother, Humberto Ortega Saavedra, continues to serve as chief of Nicaragua's armed forces and by the terms of his appointment does not serve (at least publicly) on the FSLN's national directorate, of which he was long a member. The congress thus produced no new vision, no new strategy, and no new leadership.

### DISSATISFACTION IN CIVIL SOCIETY

Central America's decade of conflict also altered civil society, the collection of groups such as labor organizations that provide a buffer between the people and the state. The intense politicization of the period was accompanied by the mobilization of many groups previously marginalized from politics. A diverse set of organizations was established and expectations rose. But the failure of revolutionary movements and the economic crises have left many people angry and militant. In Nicaragua some labor and peasant groups have broken ranks with the FSLN. Union takeovers and strikes are frequently at variance with the stance of Sandinista leadership. For example, in early November a leader of health workers marching on the Ministry of Labor mocked an accord between the government and the FSLN with the statement "Daniel Ortega has the right to issue appeals to workers or anyone else, even to Martians, but our position is not negotiable."<sup>2</sup>

In El Salvador the recent peace accord may well lead to increased labor strife. Fear of being equated with the FMLN's armed insurrection has dampened the activities of the country's militant unions. But peace—if it materializes—will undermine the state's ability to repress labor agitation. In Guatemala the situation is arguably worse. While armed clashes between the guerrillas and the army are now infrequent, two successive governments have not been able to halt politically motivated murders and "disappearances." Violence is endemic in the country.

A key question in Central America is the extent to which groups like the unions and peasant organizations will continue to agitate despite the declining strength of revolutionary elites. Revolutionaries not only mobilized these groups but also provided a means to channel popular frustrations and demands, and when necessary provided organizational discipline. Groups within civil society may well continue to agitate, but in an anarchical fashion. In rural Nicaragua, for example, there have been many

<sup>2</sup>The New York Times, November 8, 1991.

spontaneous seizures of land by peasant groups. Sometimes the land seized belonged to Sandinista state enterprises or cooperatives, and sometimes it was privately owned. Even the estate of the Nicaraguan minister of agriculture was occupied by peasants.

The membership of the peasant groups, which includes both former *contras* and Sandinista followers, indicates that neither the government nor opposition parties have been able to represent and mediate the diverse interests of civil society. And the violence in Guatemala, much of it perpetrated by police and the armed forces, demonstrates that the government is incapable of maintaining control of its constituent parts; this invites violent reprisals against the entire state apparatus. Together, these problems show that not only can the governments of Nicaragua, El Salvador, and Guatemala barely control their respective societies, but that in turn society accords the state little respect and legitimacy.

Civil society in Nicaragua, El Salvador, and Guatemala has also been altered by heavy migration out of the region and by a dramatic rise in Protestantism. Tradition, political culture, authority structures, and community and family ties have been irrevocably reshaped. Revolutionary insurrections failed to improve the lives of the region's impoverished majority, but they were successful in sweeping away much of the weight of the past. The weakening of indigenous culture may not contribute to political instability, but its decline and the ease with which individuals and capital move out of the region retard efforts to find solutions to political crises: migration and foreign bank accounts offer individual solutions to collective problems. And the evidence suggests that many Nicaraguans, Salvadorans, and Guatemalans have opted for the "exit" solution.

## ECONOMIC SCHISMS

The violence of the 1980s was accompanied by an economic crisis. Production fell, as did exports; budget and trade deficits became the norm. Inflation and foreign debt rose, and per capita income declined. But as the governments of Nicaragua, El Salvador, and Guatemala seek to restore economic growth, it is increasingly clear that the economies have been transformed by what some call "the lost decade." For example, the traditional private sector is less engaged in productive activity, more skeptical, and more agile financially.

Data show that the three countries' exports are weak and largely dependent on coffee. Since coffee plants yield a harvest for years after they begin bearing fruit, they are in a sense a fixed investment (although yields decline in the absence of care). Cotton, a crop that must be planted yearly and that requires extensive cultivation, has seen a dramatic fall in exports. Moreover, Nicaragua and El Salvador have experienced little of the export diversification enjoyed by Costa Rica. Tranquil Costa Rica has less territory and a smaller population than Nicaragua, but exports nearly four times as much as its northern neighbor.

Nicaragua and El Salvador pay for only about one-half their imports with exports; Guatemala pays for about three-fourths of its imports with exports. Nicaragua and El Salvador are kept afloat by a murky combination of foreign aid, borrowing (often a disguised form of foreign aid), and remittances from citizens who have emigrated to the United States. The last is consequential: it is estimated that in Nicaragua earnings from remittances total only slightly less than the income from coffee exports. In addition, there are foreign exchange gains from the visits of family members, tourism, foreign embassies, and, especially in the case of Guatemala, drug trafficking.

Some members of the private sector continue to invest in productive economic activities. But over the last decade there has been a dramatic rise in nonproductive commercial activity, speculation, and racketeering. Thus develops the paradox of rural stagnation and urban bustle. Managua is crowded with an influx of new cars, many brought by the so-called Miami boys; but in northern Nicaragua, the virtual collapse of cotton production has brought unemployment to tens of thousands. Broad-based economic recovery in Nicaragua, El Salvador, and Guatemala will depend on the revitalization, expansion, and diversification of the productive sectors—all of which have been elusive.

Political instability is the most persistent obstacle to engaging in anything more than short-term commercial exchange or speculation. However, both the impoverishment of the economy from instability and the speculation, corruption, and racketeering impede political stability. In Nicaragua there are deep divisions over what to do with the farms and factories nationalized by the Sandinistas. The government is justifiably anxious to privatize them since most run deficits. But many were saddled with exorbitant debts before their owners left for Miami, and laborers who have seen a virtual collapse of their real wages resent having to return assets to those who live in comfort.

The Sandinistas have protected the state property they distributed to themselves after their electoral defeat. Popular resentment of this property grab, which Nicaraguans call the *piñata*, led the National Assembly to pass a bill reversing the private appropriation of state property. But Chamorro vetoed the anti-*piñata* bill to avoid a threatened confrontation with the Sandinistas, and on December 14 the National Assembly sustained her veto. The private sector promptly accused her of taking "bland positions in dealing with the Sandinistas." More important, the government's inability to clarify the status of contested property and to continue its privatization program has retarded Nicaraguan investment and production.

If peace comes to El Salvador, similar issues will likely confront the zones long controlled by the FMLN. In Guatemala the more relevant issue is the safety of personnel working in contested areas and the protection of property against sabotage. In all three countries it is often difficult to distinguish between crime motivated by desperate poverty and acts of violence perpetrated for obscure political reasons.



Chamorro's government has enjoyed some economic success, especially in reducing government deficits and curbing inflation (previously, deficits were covered by printing currency). Reducing the army helped accomplish these; Humberto Ortega has announced that the force has been cut to 21,000 troops. While this and other cuts in public employment are absolutely essential to stabilizing the country's economy, they have a short-run cost. Indeed, Nicaragua's gross national product is estimated to have fallen 6 percent in 1990. Adding to difficulties in 1991 was a drought that also affected El Salvador.

The Chamorro government has also been able to reduce Nicaragua's debt by persuading lenders to write off loans that are uncollectible. Clearing the books is of more than symbolic importance: it will help Nicaragua begin borrowing again. El Salvador's and Guatemala's debts, while high, are not astronomical, and both countries continue to borrow.

## CHALLENGES FOR GOVERNMENT

Central America's multifaceted transformation during the past decade poses many challenges for government. Perhaps the three most important questions are: How will new political actors be incorporated? How will politics be conducted? And what will be the strategy for economic recovery?

It is too early to answer these questions completely. In some disturbing ways the Chamorro government seems to be continuing the long practice of exercising leadership by cutting deals in back rooms with the ranking representatives of powerful political actors. Although Chamorro was elected as the representative of a broad coalition of parties, she has governed with the aid of only a narrow circle of family members and trusted advisers. More important, after her election she moved beyond the constraints of representative democracy and into the closed realm of high-level deal-making that has since defined her regime.

The most consequential and controversial back-room deal Chamorro has made gained Sandinista recognition of the new government's constitutional power by accepting major government concessions that sharply restricted those powers. The Sandinistas retain control of the military they created, making them a formidable partner in any back-room dealing.

Chamorro's leadership is questionable not only because it runs against the grain of democratic politics, but also because her tactics may be mistaken. As Mark Uhlig has persuasively argued:

By moving into the realm of secret, bartered pacts, the government surrendered the power of its overwhelming public mandate and unquestioned inter-

national legitimacy, and matched its organizational weaknesses against the strongest elements of Sandinista power. Across a . . . bargaining table from one of the continent's most experienced and entrenched political movements, the new government had no leverage whatsoever.<sup>3</sup>

Just what has been decided in the back room is unclear. But since Chamorro is never publicly criticized by the Sandinistas, it is reasonable to wonder whether she obtained immunity through a deal with them.

By caving into "politics as usual," Chamorro missed an opportunity to control the public agenda of Nicaraguan politics. Instead, she has become a "paper tiger," buffeted by one unexplained crisis after another, a hostage to Sandinista demands. Her situation is reminiscent of that of Julio César Méndez Montenegro, the president of Guatemala from 1966 to 1970, who remarked that during his tenure there were really two presidents, himself and the minister of defense, "who kept threatening me with a machine gun."

But Chamorro is not the only one who has been discredited. The Sandinistas have abandoned all pretense of democratic participation, and instead, like the traditional Latin American militaries they had long criticized, demand to share power at the point of a gun. The back-room deals in Nicaragua stall economic recovery because they prevent the resolution of many issues, including property ownership. Equally important, private deals have eroded faith in the government and in the party that serves as the principal opposition—the FSLN. The dangers of an absence of legitimacy in both the government and the opposition are amply demonstrated in Nicaragua: spontaneous strikes, property seizures, random violence, and other signs of a breakdown in state institutions.

A more charitable and hopeful interpretation of Chamorro's regime is that the president has ended the practice of "winner take all." Chamorro has made accommodations to ensure an end to violence, yet the accommodations were made because she had no other choice, since she did not have the political resources to confront the Sandinistas. And it was best for all to avoid an open confrontation. Some observers have suggested that in time democratic practices will take root and the absence of violence will allow a resumption in economic activity. No one, however, seems to know what kind of economic activity will lead to renewed growth. The region is bereft of new development strategies.

Nicaragua's politics are closely followed in El Salvador and Guatemala. Nicaragua is the first of the three countries to incorporate the "armed left" into politics, and the diverse political actors in El Salvador and Guatemala will surely arrive at their own conclusions about the lessons of Nicaragua's experience. The conclusions they reach will be tested by a Central America that has decidedly changed since the decade of revolution and revolutionary insurgency. ■

<sup>3</sup>Mark Uhlig, "Nicaragua's Permanent Crisis: Ruling from Above and Below," *Survival*, vol. 33, no. 5 (September–October 1991), p. 408.

The Bush administration's militarization of the drug war has had little effect on cocaine production in the Andean countries, whose politics and economies are increasingly driven by narcodollars. "The current boom [in cocaine exports] provides employment for hundreds of thousands of peasants, and is the single most important source of foreign exchange for the region's debt-burdened economies."

## Cocaine Politics in the Andes

BY PETER R. ANDREAS AND KENNETH E. SHARPE

**T**he political and economic landscape of the Andean countries of Colombia, Peru, and Bolivia is being transformed by a thriving cocaine industry and an increasingly militarized United States strategy to suppress it. The issues that will determine the fate of the region in the 1990s—foreign debt, economic crisis, civilian-military relations, human rights, democratization, and guerrilla insurgencies—are being shaped by the politics of cocaine.

Coca has long been legally grown and used as a mild stimulant by the indigenous people of the Andean highlands. But the explosive world demand for cocaine has turned coca into a lucrative export commodity that is now the most important component of the regional economy. From an economic perspective, cocaine is simply the most recent in a long line of primary commodity exports from the region, as economically vital as silver, rubber, cotton, and tin once were. The current boom provides employment for hundreds of thousands of peasants, and is the single most important source of foreign exchange for the region's debt-burdened economies.

Bolivia, Peru, and Colombia have been economically integrated by a simple division of labor within the Andean cocaine industry. Peru and Bolivia specialize in the labor-intensive cultivation of the coca shrub and the processing of its leaves into a raw paste. Colombia's role is largely entrepreneurial and managerial: Colombian

traffickers buy coca paste, transport it to processing laboratories in or near Colombia, and ship the refined cocaine through their trafficking networks to distribution centers in the United States and Europe.

Although a majority of the profits remains abroad, the cocaine money that returns to the region has enriched a new class of entrepreneurs, primarily Colombians, who protect their illicit business interests through bribery, intimidation, and murder. The consequent spread of corruption and violence has had a profound impact on Andean society and politics, at times posing a direct political challenge to the state's authority.

Equally significant, cocaine is redefining United States-Andean relations in the post-cold war era. With the spread of cheap crack cocaine and the dramatic escalation in drug-related violence on American streets, the most serious concerns in the Andean countries—from foreign debt to increasing human rights abuses—have been subordinated to the drug-control objectives of United States policymakers. Economic aid to the Andean countries is conditioned on their cooperation with the United States war on drugs. United States trade policy and loan approval through multilateral lending institutions are similarly tied to the American antidrug effort.

Despite the abysmal human rights records of Andean militaries, and extensive drug-related corruption within their ranks, United States assistance to the military for the drug war in the Andes grew from less than \$5 million in 1988 to more than \$140 million in 1990. The drafting of the region's armed forces into Washington's war is part of President George Bush's Andean initiative; this five-year strategy was initiated in the fall of 1989 and has made the region the centerpiece of the United States international drug control effort. With the broad change in American security priorities after the cold war's end, the region has surpassed Central America as the primary recipient of United States military aid in the hemisphere.<sup>1</sup>

The politics of cocaine is different in each Andean country, but its impact on Peru and Bolivia has important similarities. In a dramatic effort to revive ailing

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<sup>1</sup>On the Andean initiative, see Peter Andreas, Eva Bertram, Morris Blachman, and Kenneth Sharpe, "Dead-End Drug Wars," *Foreign Policy*, no. 85 (Winter 1991–1992). For a comprehensive discussion of the role of the military in the drug war, see Charles Call, *Clear and Present Dangers: The U.S. Military and the War on Drugs in the Andes* (Washington, D.C.: Washington Office on Latin America, 1991).

economies, the fragile elected governments in these two countries have adopted the most severe economic stabilization programs ever attempted in Latin America. But while Peru's and Bolivia's commitment to bitter economic remedies has been applauded by United States officials and the international financial community, the success of such programs has depended on the thriving drug economy.

Caught between reliance on the drug trade to sustain their economies and the need to retain United States support, Peru and Bolivia are going along with Washington's militarized counternarcotics strategy, yet are ultimately unwilling and unable to attack the drug economy seriously. Meanwhile both the drug trade and the drug war are weakening civilian institutions and deepening existing problems of violence, human rights abuses, and military corruption.

Although Colombia's economy is larger, healthier, and more diversified than Peru's or Bolivia's, cocaine is deeply integrated into it and remains the leading export. Like the governments of its Andean neighbors, Colombia has declared war on drugs yet turns a blind eye to the influx of drug dollars that help boost the Central Bank's foreign exchange reserves. However, most of the region's drug-related violence is concentrated in Colombia. Thus the government's immediate task has been to restore order by taming narcoterrorism directed at the state—primarily by the drug cartel based in the city of Medellín. The violence has been compounded by the battle with Colombia's leftist guerrilla groups, and by the proliferation over the past decade of drug-financed paramilitary organizations linked to elements in the military.

## BOLIVIA AND COCA DEPENDENCY

Bolivia's present predicament is rooted in the political and economic changes that have taken place in the country in recent years. The Bolivian military, virtually dismantled after the 1952 revolution, was rebuilt with United States aid to the point that it was able to seize power in 1964 and rule for 18 years. During this period of military rule the Bolivian cocaine industry was born and became entrenched.

In the 1960s Bolivian government planners, with support from the United States, encouraged peasant migration to the semitropical Chaparé region in the central lowlands, in the hope that the area could support agricultural development. But poor soil quality, inadequate technical assistance and credit, and limited infrastructure forced increasing numbers of peasants to turn to coca, which, unlike most other cash crops, requires virtually no capital investment, grows in poor soil, has few pest problems, and is easy to harvest and transport.

With the rising global demand for cocaine in the 1970s

and 1980s, the Chaparé became the heart of world coca production. The processing end of the trade developed across a wider area of the Santa Cruz and the Beni regions, which were dominated by agribusiness elites from Santa Cruz, members of the military, cattle ranchers, and merchants in the Beni. Rensselaer Lee, an analyst of the cocaine trade, has noted,

The military regimes of the 1970s provided state bank loans that supported the development of the cocaine industry; money borrowed ostensibly to finance cotton farming and other agricultural ventures in the Santa Cruz department apparently was diverted to building laboratories and other elements of a cocaine infrastructure. Narcotrafficking provided financial backing for [General Luis] García Meza's coup in July 1980, and there was a virtual symbiosis between drug trafficking and the state under [García] Meza's regime.<sup>2</sup>

García Meza stepped down in August 1981 and the armed forces finally returned to their barracks in July 1982, leaving the civilian government of President Hernán Siles Zuazo to take office in October of that year in the midst of an economic disaster. By 1980 international credits had dried up and interest rates on Bolivia's loans (the country had one of the largest per capita foreign debts in the world) had risen dramatically, plunging the country into the worst economic crisis in its history. The gross national product (GNP) fell 20 percent between 1980 and 1985. Per capita income declined 30 percent between 1980 and 1984. Legal exports shrank 25 percent between 1984 and 1986. When the government turned to printing money to cover the growing deficit, inflation skyrocketed to 24,000 percent in 1985. The biggest shock to the economy occurred in October 1985, when world prices for tin, Bolivia's principal legal export, collapsed. And in early 1986 the price of natural gas, another major Bolivian export, plummeted.

In 1985, in an effort at economic shock treatment, newly elected President Víctor Paz Estenssoro initiated a drastic stabilization program based on International Monetary Fund (IMF) guidelines. The currency was devalued nearly 100 percent, government subsidies were cut, wages were frozen, and state-owned enterprises were put up for sale.

Paz Estenssoro's successor, Jaime Paz Zamora, has remained committed to the stabilization plan since assuming office in late 1989. In 1990 inflation was brought down to 18 percent, the lowest rate in the region. Modest annual growth of 2.5 percent in the gross domestic product (GDP), which began after the stabilization program was instituted, has been maintained. Between 1987 and 1990 Bolivia reduced its foreign debt 12 percent by negotiating buybacks with commercial banks and the United States government and a series of partial write-offs with the informal group of major creditor countries that make

<sup>2</sup>See Rensselaer Lee, *The White Labyrinth* (New Brunswick, N.J.: Transaction Books, 1989).



up the Paris Club. (The United States has also supported Bolivian reforms by increasing aid to more than \$180 million in 1991.) Exports have risen, although Bolivia still spends almost 25 percent of its total export earnings to service its debt. Bolivia has also followed IMF guidelines in lowering government deficits through privatization, and by the end of 1991 about 300 state firms were up for sale.

Rarely mentioned, however, is the not-so-secret ingredient of Bolivia's economic "success" story: coca. The coca economy generates as much foreign exchange as all other Bolivian exports combined, and provides a critical cushion for many of those left unemployed as a result of the government's austerity program. For example, since 1985 about 45,000 state jobs in mining and public administration have been eliminated; factory shutdowns resulting from liberalized import policies have led to an additional 35,000 layoffs. But the coca trade now employs about 20 percent of the work force: at least 300,000 Bolivians have jobs directly tied to it.

The \$600 million generated every year from coca sales have been especially critical for the economic stabilization program. Paz Estenssoro implemented several measures that facilitated the absorption of drug profits into the banking system, such as a tax amnesty on repatriated capital, relaxed disclosure requirements for the Central Bank, and prohibitions against official investigations into the origin of wealth brought into Bolivia. Thus cocaine profits stashed in Caribbean bank accounts could safely come home.

The government also instituted a daily foreign exchange auction, the *bolsin*, which allowed the Central Bank to soak up coca dollars normally absorbed by the parallel foreign-exchange market; in effect, the Bolivian government tacitly legalized the circulation of drug money. As expected, these measures helped boost Bolivia's foreign-exchange reserves; short-term deposits in dollars and dollar-indexed accounts grew from less than \$28 million in September 1985 to an estimated \$279 million in March 1987. This in turn helped stabilize the currency and curb hyperinflation.

Bolivia has thus "become the showcase of what other countries in the region could accomplish if free market principles are allowed to run their economies," observed Bolivian political scientist Eduardo Gamarra. But, he warned, "several prominent economists have argued that... any downturn in the coca-cocaine economy could have grave consequences for the continued success of Bolivia's highly regarded New Economic Plan."<sup>3</sup>

## AMERICAN PRESSURE ON THE BOLIVIAN MILITARY

While the Bolivian economy has become hooked on coca, Bolivia is at the same time dependent on the goodwill of the United States, where antidrug sentiment is now

strong. Bolivia is South America's largest recipient of United States aid (as well as one of the most aid-dependent countries in the world). Equally important, its economic stabilization program depends on United States support for loans from international lending institutions.

This has given the United States enormous leverage in Bolivia, and it is nowhere more evident than in its war against drugs there. After years of law enforcement efforts failed to dent the supply of coca from Bolivia—in 1990 these efforts stopped less than 1 percent of the coca paste produced from leaving the country—the United States turned to the Bolivian military, backed by American aid and training, to do the job. The United States has made it clear—without explicitly saying so—that economic aid will not flow without Bolivian acceptance of its strategy.

Given the Bolivian military's notorious history of coups, corruption, and even direct involvement in cocaine trafficking, the United States strategy was almost universally opposed by Bolivians; as one development worker from Cochabamba noted ironically, "to bring in the army [for drug control] would be the best way to promote drug trafficking in Bolivia." Citizens still have fresh memories of the 1980 "cocaine coup," in which high-level military officers led by General García Meza took power with the support of drug traffickers. García Meza reportedly continues to move about freely in Bolivia and to receive his military pension, and many leaders from his regime are currently in positions of power, including the newly appointed minister of defense, Rear Admiral Alberto Saenz Klinsky.

After initially resisting, and even publicly stating that there was no need to draw the military into narcotics control, Paz Zamora signed a military assistance agreement during a visit to Washington, D.C., in May 1990. In April 1991 dozens of United States Special Forces trainers arrived in Bolivia. An estimated 1,000 Bolivian troops participated in the first 10-week training session. The Bolivian armed forces were slated to receive \$35.9 million in United States aid in 1991—representing an increase of nearly one-third in the military's resources.

Paz Zamora tried to avoid domestic protest against the military assistance agreement with Washington by keeping it secret. However, details of the plan were leaked to the press, causing opponents from across the political spectrum to accuse Paz Zamora of capitulating to United States interests.

Moreover, the well-organized peasant coca growers federations have staged many protests denouncing the plan to involve the military, and have vowed to form self-defense groups to counter military attacks. Paz Zamora has promised that military units will not enter coca-growing areas and that they will target only drug traffickers, not coca farmers. Nevertheless, violent confrontations between peasant coca producers and the United States-trained Mobile Rural Patrol Unit (UMOPAR) antinarcotics police are common and con-

<sup>3</sup>Testimony before the House Subcommittee on Western Hemisphere Affairs, Committee on Foreign Affairs, June 6, 1990.

tinue to intensify. Many fear that violence will quickly escalate if the army is brought in.

Coca production is likely to remain Bolivia's main "comparative advantage" in the world economy for years. The potentially explosive tension between Bolivia's narcoeconomic realities and United States expectations for the drug war has been managed through a diplomatic game: while United States and Bolivian officials haggle over how much coca to eradicate and the amount of aid to be provided, they largely ignore the coca trade's integration into the legal economy, especially its links to the country's financial system. Meanwhile United States policy continues to strengthen the military in ways that can only weaken Bolivia's nascent democratic institutions.

### PERU: FUJIMORI'S PERILOUS PATH

Peru faces similar dilemmas. On taking office in July 1990, President Alberto Fujimori declared that he had inherited a "disaster." In the words of his close adviser Hernando de Soto, "This society is collapsing. . . . There is no respect for the state, the parliament, the laws, the judicial system, not even the traffic lights. Nothing works here."

The bloody 12-year-old war between the Sendero Luminoso (Shining Path) guerrillas and the military, which had claimed more than 20,000 lives—mostly those of innocent civilians—and had created more than 200,000 internal refugees, showed no signs of abating. Nearly 40 percent of the country was under a state of emergency, meaning that more than half the population essentially lived under military rule. The military, operating with impunity, continued to have one of the most abysmal human rights records in the world. To add to this bleak picture, an outbreak of cholera that began in early 1991 had by early November killed 2,540 people, and 263,761 more had become ill.

Between 1988 and 1991 Peruvian economic output shrank 30 percent—the steepest decline in the hemisphere. Official per capita exports have fallen in terms of real dollars to one-third what they were in 1975. Between 1985 and 1990 average household consumption in Lima fell 46 percent.

In an attempt to reverse the economy's free-fall, in August 1990 Fujimori initiated the most severe IMF-style stabilization program in Latin American history. As hoped, inflation was reduced and government costs were curbed. Yet the immediate social impact was devastating. With government subsidies cut, staple food prices increased as much as 700 percent in 24 hours. Gasoline prices rose 3,000 percent. Water rates rose more than eightfold and costs for electricity quintupled. While prices skyrocketed, wages fell from previously low levels. In one month, wages of public-sector employees dropped 59.8 percent and those in the private sector 39.7 percent. Since August 1990, consumption in Lima has fallen an additional 24 percent. By late 1991 an esti-

mated 1 million workers had lost their jobs as a result of the plan's austerity measures.

At least in the short term, the program—dubbed "Fujishock"—further impoverished an already poor country: while one-third of the population lived in extreme poverty before Fujimori's reforms, more than half now fall into that category. Applying shock treatment to revive Peru's economy, notes Peruvian economist Guido Pennano, "is like performing heart, stomach, kidney, and lung surgery all at the same time on a patient who hasn't eaten in three years." But so far Fujimori has remained stubbornly committed to completing the treatment.

Fujimori is also committed to paying a steep price to gain admission into the world financial community: in his first year in office he made debt payments of \$60 million a month to international financial institutions. Fujimori's predecessor in the presidency, the once popular but now almost universally despised Alán García Pérez, had alienated creditors by failing to meet payments on the country's \$21-billion foreign debt. As a result Peru was blacklisted as the world's worst debtor nation and loans quickly dried up.

In 1991 Fujimori's debt diplomacy began to see some returns. Peru received help from a United States-led "support group" in paying off some of its arrears with multilateral lending agencies, and in September the IMF put Peru back in its good books. That same month the Inter-American Development Bank granted Peru a \$425-million loan package, and the Paris Club's leading creditor nations agreed to reschedule some Peruvian debt. In late October the Japanese and Peruvian governments signed an agreement whereby Japan would disburse the \$400-million contribution promised through the "support group."

### PUBLIC RELATIONS AND THE DRUG WAR

As one foreign official has commented, for the United States to expect Peru to fight a drug war is like "asking a country that's fighting the Civil War and going through the Great Depression at the same time to suddenly take on Prohibition as well." Consumed by the immediate problems of survival and relying on cocaine for jobs and dollars, most Peruvians—like their Bolivian neighbors—see the drug war primarily as a risky public relations campaign to appease Washington policymakers and secure much-needed aid and goodwill.

Coca is currently Peru's most important export, generating revenues of about \$1 billion annually—equivalent to one-third of all other exports combined. Hundreds of thousands of Peruvians—roughly 15 percent of the work force—are tied to the coca trade. The 150-square-mile Upper Huallaga Valley on the eastern slopes of the Andes has become the largest coca-producing zone in the world.

The valley is experiencing an economic boom—a "white gold rush," as Peruvian anthropologist Edmundo

Morales has called it—that has attracted thousands of migrants desperate for work. With national unemployment and underemployment exceeding 90 percent, opportunities in the legal economy are scarce. Despite price fluctuations, coca producers can earn many times more from coca than from any legal crop. Moreover, the market comes to the producers: Colombian traffickers pick up the coca paste in small planes and pay up front in dollars.

Peru's cash-hungry major banks, including the Central Bank, operate busy branches in the valley that soak up the flow of coca revenues. They also buy dollars on Ocona Street in downtown Lima, Peru's informal foreign exchange market, which is supplied largely by shipments of coca dollars from the Upper Huallaga. The Central Bank has been an especially active buyer of coca dollars in recent years: by some estimates it purchases between \$4 million and \$13 million a day. Once in the financial system, coca dollars can be used to meet Peru's many foreign exchange needs, including servicing the country's foreign debt.

These conditions provide the context for the United States–Peruvian antidrug accord signed last May 14 after months of often intense negotiations. In defending the accord before the Peruvian National Congress in mid-May, Fujimori justified it as a necessary step to gain United States support in easing Peru's re-entry into the international financial community. In September 1990, Fujimori had refused to sign an antidrug agreement, complaining that the United States proposal reflected too heavy an emphasis on military, and not enough on economic, aid. The language and tone of the 1991 accord stress the need for economic development to provide alternatives to coca. Nevertheless, funding for such costly, long-term projects is noticeably missing: only 2 percent of the \$60 million in aid included in the package is allocated for alternative development. Most of the funds are for balance-of-payment support—in effect, debt servicing.

The accord's security-assistance component, including \$24 million in United States military aid, is a distinct threat to further militarize a region that is already a war zone. The Upper Huallaga has become a central battlefield for the Peruvian military and the Shining Path. The guerrillas have gained a base of peasant support in the valley by serving as a shield against United States–sponsored antidrug operations and by demanding higher coca prices from Colombian traffickers on behalf of small producers. Motivated by rational economic interests, peasant support for the guerrillas has grown in direct proportion to the escalation of the drug control campaign in recent years.

Peruvian military officials have not been enthusiastic supporters of the drug war, which they perceive as driving peasants into the arms of the guerrillas. As one former military commander in the valley acknowledged in 1990, "If we attack drug trafficking, we will convert the local population into our enemy." The Peruvian defense minister, General Jorge Torres, said last March, "We will

not directly confront the drug traffickers, but we will fight the subversion, which is an ally of the drug traffic." Military forces have actually blocked antidrug operations on many occasions; there have been repeated reports of military personnel firing on Peruvian counternarcotics police during their raids. Pervasive drug-related corruption—including the use of military-controlled airfields by drug traffickers—has further undermined the military's will to support the drug war.

Nevertheless, United States drug war strategists still argue that this same military is the key to future success in the valley. According to United States officials, the Peruvian military will provide the "security frame" necessary for alternative development projects and police antidrug operations. In practice this effectively translates into United States support for government counterinsurgency operations.

In Washington, efforts to turn Peruvian troops into drug warriors ran into congressional opposition last August and September. Some members of Congress questioned the wisdom and the legality of funding a military that has one of the world's most dismal human rights records. United States law explicitly forbids aid to security forces that engage in a consistent pattern of gross human rights violations. As documented in countless reports by Peruvian and international human rights organizations, few security forces fit this description better than Peru's military.

Set on sending military aid, however, the Bush administration glossed over its own evidence of human rights abuses by the Peruvian military. Last July 30 it issued a determination that Peru's human rights situation was "improving." Fujimori visited Washington in September to assure skeptics in Congress of his commitment to curbing human rights abuses. Congress finally relented, but only after reducing the military portion of the aid package and putting new conditions on the disbursement of the remaining funds.

The political battle in both Washington and Lima over militarizing the drug war was far from resolved in late 1991. Meanwhile, coca dollars continued to float Peru's ailing economy and Fujimori's stabilization program. Fortunately for the Central Bank, the thriving banking business in the Upper Huallaga Valley has not been a target of the war on drugs.

## COLOMBIA: THE SEARCH FOR PEACE

In sharp contrast to Peru and Bolivia, Colombia is considered one of Latin America's oldest and most stable democracies, with little history of military coups. Yet it has the most violent history of the region; the country has been under a state of siege almost continuously since 1947.

Colombia has the world's highest murder rate for a country not at war, with homicide the number one cause of death for males between the ages of 15 and 45. Thousands of Colombians have died during the past decade as



a result of the “dirty war” carried out by paramilitary death squads against leftist politicians, union leaders, human rights workers, and other opponents of the status quo. Although formally a “democracy,” the closed character of the state has left little room for political participation outside the ruling Liberal and Conservative parties. Challenged by armed insurgencies over the past three decades, the state has relied on the military to maintain order, which has greatly expanded the autonomy of the armed forces.

As in Bolivia and Peru, cocaine profits have helped fuel the national economy, but they have also fueled much of the political violence that has shaken Colombian society over the last 10 years. Although repatriated cocaine revenues are welcome (the Central Bank has long maintained a no-questions-asked policy on dollar deposits), drug-financed terrorism, especially against the state, is not. Colombia’s drug war, therefore, has primarily been a battle to tame narcoterrorism, not narcotics trafficking.

The most dramatic direct challenge to the authority of the state came with the drug-financed assassination of presidential candidate Luis Carlos Galán in August 1989. President Virgilio Barco Vargas reacted with a major offensive against the Medellín drug cartel, the traffickers considered to be behind the murder. The cartel responded by declaring a “total war” against the state, killing hundreds of police officers, dozens of journalists and judges, and two other presidential candidates. The traffickers exploded more than 200 bombs in Bogotá alone.

On taking office in the summer of 1990, President César Gaviria Trujillo reversed Barco’s hard-line strategy and embarked on a diplomatic path to end the violence. The following June, Pablo Escobar, the billionaire godfather of the Medellín cartel, checked into a posh prison in his hometown. Whether one labels it appeasement or pragmatism, Gaviria’s controversial strategy for wooing Escobar and other Medellín leaders into custody—lighter sentences, no extradition on charges filed in the United States or other countries, and luxurious “prison” accommodations—seems to have pleased most Colombians. Drug terrorism is down, and Gaviria’s approval rating has soared.

With Escobar and his closest associates comfortably confined, the country is eager to focus on other pressing problems: rising unemployment, the decades-old conflict with the remaining insurgency groups, and the struggle to deepen the political opening begun by constitutional reform. In July 1991 Colombia adopted a new constitution written by a national Constituent Assembly that had been elected the previous December in response to years of popular pressure. The goal of the constitutional reform is to incorporate diverse and opposing forces into the political process to produce a more participatory and pluralist democracy. The enactment of the new constitution was an impressive achievement, yet the real challenge is in the implementation and enforcement of its reforms.

Given this challenge, the drug war has understandably

ceased to be a top concern in Colombia. Meanwhile, the country’s vast cocaine industry is thriving. Cocaine shipments from Colombia range between 500 tons and 700 tons annually—more than enough to both saturate the stagnating market in the United States and satisfy Europe’s growing appetite for the drug. Other traffickers have quickly divided up the market share lost by the Medellín group, with the largest gains going to traffickers from Cali, who were left virtually untouched by the government crackdown. The less violent, more businesslike Cali cartel avoids directly challenging the state through terrorism. In no mood for another exhausting drug war, the Gaviria government has shown little interest in confronting it or any of Colombia’s other major trafficking organizations.

Nevertheless, the United States has pushed forward with a militarized plan for a drug war in Colombia that by last year appeared both out of date and out of sync with reality. Designed in September 1989 in the midst of the bloody battle with the Medellín cartel, the United States strategy called for large doses of military aid and training. Consequently, Colombia has passed El Salvador to become the largest recipient of United States military assistance in Latin America. By late 1991, 116 United States military personnel were reportedly in Colombia.

While the military has shown little interest in drug control, it has been fully committed to the 30-year battle with Colombia’s guerrilla insurgents. In late 1990 the military began its largest counterinsurgency offensive in decades, which in turn sparked a major guerrilla counteroffensive. United States aid intended for the drug war has apparently been far more useful in the war against the guerrillas. High-ranking Colombian military officials told United States congressional investigators in the spring of 1990 that \$38.5 million of \$40.2 million in “counternarcotics” military aid for that year was to be used for a major counterinsurgency campaign in a region not known for drug trafficking.

Although the diplomatic initiatives begun by Barco and continued under Gaviria have led many guerrilla groups, most notably M-19, to lay down their arms, guerrillas from the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN) were still fighting in late 1991. Meanwhile, the military did not let up in its counterinsurgency campaign and the guerrillas continued to inflict enormous damage on Colombia’s vital oil pipeline and other economic targets.

The insurgents applauded Gaviria’s appointment of a civilian as minister of defense, yet have complained that the new constitution leaves the military’s power untouched and fails to address adequately such issues as human rights and agrarian reform. Whether or not Gaviria will be as successful in ending the guerrilla war as he was in defusing the drug war remains to be seen. For him and the other Andean leaders, the only certainty is that the politics of cocaine will continue to play a central role in shaping the region. ■

"If the present [economic] experiment succeeds, there will be immense relief at the sight of a country that survived, and a lot left for Argentines to update and restore—including their once-strong cosmopolitan identity. . . . If the experiment fails, one can easily conjure up visions of Argentines leaving in droves, central power collapsing, and a territory divided between slums and fine chunks of empty real estate."

## The Argentina of Carlos Saúl Menem

BY JUAN E. CORRADI

Argentina's woes are well known, though little understood. In the not too distant past its politics turned savage—a politics hardly befitting the European airs the Argentines gave themselves. Argentines were deluded on a mass scale, endorsing muddled ideologies of the right and the left. They sought economic gain from a vast apparatus of control and distribution that they called the state. They borrowed. They gambled. In the end they succeeded in undeveloping a large, resourceful nation thoroughly and relentlessly. It took somber events, such as defeat in the 1982 war against Britain in the Falkland (Malvinas) Islands, to bring about more sober views. Nobody knows exactly when hearts and minds—and structures—changed, but some sequences are obvious.

Political change came first. Democratic institutions were reinstalled in 1983, when Raúl Alfonsín was elected president. Unexpectedly, they have functioned ever since. Two principal parties—the Radical Civic Union (UCR) and the Peronists—and a few smaller ones compete for votes without too much fuss. The large parties are pragmatic and middle-of-the-road, differing more in social composition and "political culture" than in ideology.

The transfer of power in 1989 from Alfonsín's Radical administration to President Carlos Saúl Menem's Peronist administration marked the first time in 60 years that a civilian government constitutionally changed hands through general elections. Its democratic significance overshadowed other important recent events, such as the collapse after 1982 of army Commander Leopoldo Galtieri's junta and the trial of the tyrants in 1985.

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Argentines stumbled upon democracy by default after the junta fell. During the next seven years, however, the democratic system gained momentum against serious odds, surviving economic hardship, social discontent, and military mutinies. That was no small feat, and it assured Alfonsín a place of honor in the history books. Today the issue is no longer the consolidation of democracy, but rather the links between normal politics and concrete economic policies.

Effecting economic change has been more difficult. The two governments of this democratic period applied, without success, several stabilization and economic reform plans. Their programs worked for a while, providing relief to the population and raising expectations among politicians, only to stall and then unravel. The economy resembled a medical patient of the seventeenth century. Feverish and pale, the poor fellow would be surrounded by doctors who mumbled Latin words, gauged his color, checked his temperature, and bled him. After the initial relief, the symptoms would return. This process was repeated in Argentina with pathetic regularity.

In June 1985, Alfonsín launched a "shock" economic stabilization plan that included changing the currency from the peso to the austral. This stopped a near-hyperinflation in its tracks. A few months later in the November national and local elections, the government reaped its reward: Radical party candidates won. The victory prompted grandiose plans to move the national capital to the twin towns of Viedma-Carmen de Patagones, to reform the constitution, and eventually to surmount the one-term limit and have the president reelected. These wasted time and effort, but they were easier to pursue than the painful structural reforms necessary to make political stability compatible with steady economic growth.

The obstacles to deep reform during Alfonsín's tenure were social and political. First, Alfonsín's economic team was competent but technocratic, aloof from both business and labor organizations; distrust between the government and these groups was persistent and mutual.

Second, Alfonsín's principal opposition, the Peronists, rallied around their traditional ideological commitment to nationalism, state intervention, and welfare. These two factors alone forced economic reforms to remain timid and rhetorical. Also, in this early phase of democratization, politics, not economics, was the priority. Economic good intentions notwithstanding, the government was pressed by foreign creditors, unions, a populist opposition, and sullen soldiers. It had to withstand general strikes and barracks rebellions.

The economy unraveled. The government stabilized it again. Finally the government lost control. Hyperinflation swamped Alfonsín and his party. They were voted out by the Peronists in general elections in May 1989, and unceremoniously rushed from office five months before Menem's scheduled inauguration in December.

## THE CAPITALIST REVOLUTION

During Menem's presidential campaign, he vowed to do all that Alfonsín did not; though he kept them vague, his promises were clearly based on the traditional Peronist ideas of welfare and redistribution. Once in office, however, Menem changed course dramatically: he won with populist promises but governed with the recipes of right-wing marketeers. The about-face was not without precedent in Argentina or abroad. In 1959, despite campaign promises to the contrary, President Arturo Frondizi had allowed foreign companies to invest in Argentina. In the early 1980s, French President François Mitterrand and Spanish Prime Minister Felipe González Márquez proved that reversals from populist statism to market liberalism happen in the first world too. And in most instances the shifts were beneficial.

Menem decided not only to pursue Alfonsín's goals of economic stability and capitalist reform but to forge beyond them in novel and daring ways. Despite false starts, haste, confusion, and graft, Menem's measures went to the heart of Argentina's statist and stifled economy. At first economic reform was bold but haphazard, the president leaving policy entirely in the hands of a private economic group, the multinational firm of Bunge and Born. Curiously, the company failed to deliver, proving that running the whole requires different skills than managing a part. For a while Menem's government was left holding the bag with a second stabilization plan, in the by-now familiar pattern. Finally, it found in the current and rather formidable economics minister, Domingo Cavallo, someone with a clear economic program.

Cavallo's economic plan, more comprehensive and thorough than others tried before, is the government's most recent attempt to implement a "capitalist revolution." The plan repeats some formulas applied abroad and elsewhere in Latin America: Avoid fiscal deficit. Do not print money that is not backed by gold and hard currency reserves, and do not print it without specific legislation. Anchor the exchange rate at a point between

the local currency and the United States dollar deemed realistic; again, the government may not devalue without legislative authorization. Make currencies freely convertible. Abolish those taxes on exports that are easy to collect, but enforce the collection of other taxes, especially the income tax, and increase other levies, such as the value-added tax (VAT). Keep real interest rates positive. And privatize—sell government property and state-owned companies.

Cavallo maintains that deregulation of the economy, by encouraging imports and cutting domestic costs, will cause prices to drop. Monthly inflation, however, is still running at 1.5 percent. If prices do not fall, the plan will fail.

## VESTED INTERESTS AND PRIVATIZATION

Menem's plan contains some astute political novelties. The executive controls the initiative, which was launched by presidential decree, rather than by a legislative act. But the decree leaves Congress with the onus of legislating corrections and backtrackings. The alternation of executive control and congressional power-sharing also reflects the political vicissitudes of the administration at the polls.

Gubernatorial elections last September and October produced clear victories for Menem and specifically for Cavallo's economic program. Hence the government feels it has a mandate to extend and deepen the reforms. Programs of this sort have failed before, due as much to the veto of vested interests as to technical deficiencies. This time, however, there are two new factors working in favor of reform: the bankruptcy of the state and the weakness of organized social opposition.

In the days of Peronism and under the regimes that followed, the statist economy provided jobs and purpose for millions of people. Argentines built up fledgling industries behind tariff walls. They discouraged foreign investment in the country until they too came under the walls. They disregarded new exports and taxed traditional ones. Fiscal deficits were allowed to grow, and the government took over ailing private companies when jobs could be lost. The Argentines also borrowed heavily from willing lenders abroad.

For businesspeople, workers, and bureaucrats it was not a bad form of life. Never mind that every day these people reported to the wrong job in the wrong place and produced the wrong goods; the arrangement limped along. No one dared challenge the vested interests of business, labor, and the bureaucracy until the country had been pummeled by declines in production, hyperinflation, inability to meet foreign debt payments, civil war, and external war. Then change began.

For Argentine entrepreneurs accustomed to the comforts of protected profits, a broke state means simply that opportunities for contracts dry up. It is the end of *capitalismo asistido*. Either the businesspeople also go broke or they pick up the pieces by taking over those enter-



prises and services that the state can no longer run. A large portion of privatization in Argentina boils down to just such takeovers of state property by monopolies that had long lived in the shadow of the state. Insolvency rather than a desire to open up the system obliges the state to privatize.

Menem's government has privatized in haste, and has auctioned state assets to the best positioned, without much concern for details or monitors. It is a far cry from healthy competition, but then, "capitalist revolutions" are seldom tidy or fair. The real question is how far privatization has really moved Argentina away from its traditional situation of various interest groups competing for state-controlled resources, when the beneficiaries of privatization are those same groups. Moreover, the state can privatize and deregulate only what the state itself owns and regulates, and many of Argentina's restrictions on trade are established by private arrangement among powerful cartels. Menem's scheme will not be a good reform if new capitalism does not emerge, if the plot changes but the characters stay the same, and if the final equation is monopolies minus the state.

In addition, privatization in Argentina must not be forced to fit the current ideological vogue and be seen as another rollback of socialism, somehow linked to the collapse of communism in eastern Europe and the Soviet Union. The government's old role in the economy stemmed in part from rightist, not leftist ideology, and in part from a need to bail out a weak private sector. What matters here is whether companies fare better in private hands. If they do, privatization will be the harbinger of growth and prosperity for Argentina. If they do not, privatization will be just a slogan to cover up corruption.

### **MENEM'S REFORMS: WILL THE PEOPLE BUY THEM?**

After the fall 1991 elections, the president gathered strength, and on October 31 he used his renewed mandate to deregulate the economy by decree. To avoid the influence of lobbies, Menem bypassed Congress, not waiting for the newly elected *menemistas* to take their seats in December. Out went all sorts of state regulations. Restrictions on sales of goods and services in Argentina were dropped. Menem closed down two emblematic state agencies, the national boards for grain and meat. He abolished taxes on imports and exports, lifted customs restrictions, deregulated freight charges, and allowed the import and retail sale of pharmaceuticals.

Only in one respect did Menem widen the powers of the Argentine state: he took from the trade unions the welfare services they had been running at the government's expense. The aim was to weaken the corporatist power of trade unions, the pillars of Peronism in civil society; it is the coup de grace for the old populism. It is true that Menem's action comes after decades of a steady erosion in the power of unions due to stagnation

and deindustrialization, yet no one but a Peronist would have dared to do it. If the reforms work, it may be the single greatest debt owed this president by the new capitalism.

In addition, the government has managed to persuade Congress to pass more flexible employment laws, which make it easier for employers to hire and fire personnel. The benefit will be greater productivity, the cost higher unemployment. The ranks of the unemployed will also swell with the dismissals of large numbers of federal employees.

It is clear that the government will have to face social fallout from its economic reforms, but Menem's administration is convinced that this is the price it has to pay to return Argentina to where it once was—not in, but close to, the first world. The government also believes that it can weather the ill humor of many citizens. Opinion polls and voting behavior seem to bear this out. If the reforms render Argentina once again capable of noninflationary growth, Argentines might vote eagerly for the party that pulled it off; in the meantime, they are voting for Menem's party in the hope that it might do so.

Memories of past violence, authoritarianism, and hyperinflation, and the determination not to endure them again, make present hardships more sufferable, and there is a widespread belief that austerity and reforms may get the economy back on the right track at last. Whatever the harshness entailed by Menem's capitalist revolution, alternatives to capitalism have lost credibility worldwide in recent years.

Finally, protracted stagnation has lowered Argentines' expectations and made them more passive. In some cases misery may lead to acts of desperation, but not to the violence of the 1970s, when high expectations gave birth to explosive frustrations.

Some regions of the country—Mendoza and Neuquén, for example—are faring well in democratic Argentina. Others, such as the province of Buenos Aires, are in trouble. One-third of the population has been left outside the system. Poverty spreads while wealth is concentrated in fewer hands. Hunger grows, but there is a boom in construction. It is not an exaggeration to submit that political moderation has been purchased at the cost of the "Latinoamericanization" of Argentina. Impoverishment has led to a decline in expectations, and to fewer rather than more popular protests. This moderation of despondency will last only as long as people feel that the reforms have a reasonable chance of succeeding.

Through all of this, the Argentine party system has remained anchored in the middle of the political spectrum. Depending on the avatars of incumbency and the behavior of the economy, the two principal parties—*radicales* and *peronistas*—are each capable of mustering between 35 and 45 percent of the vote. But to the right of the two principal parties a curious circumstance prevails. The free-market preachings of the Argentine Tories have met with tremendous success, but it seems that

voters prefer other parties to implement the right's ideas. On the "left" of the political spectrum, the collapse of socialism as an ideology and the growing underclass at home have driven authoritarian leftists and authoritarian rightists, former henchmen and former victims, together into the precariously pitched tent of fundamentalist nationalism. In the recent race for governor in the province of Buenos Aires, Colonel Aldo Rico—a Falklands war hero, then barracks mutineer, a sort of gaucho Rambo—garnered half a million votes. Argentina illustrates better than many countries the craft of politics as paradox.

Carlos Saúl Menem exemplifies the new Argentine-style politics. The president is a quick study and a constant charade. His political ups and downs, linked to the fortunes of his extraordinary economic reforms, are revealing.

On privatization, Menem's government has been innovative. To attract foreign investors it offers 10-year concessions to run Buenos Aires's subways and suburban railroads linked to the right to develop 100 acres of adjacent prime land in the city's heart. Under Menem, Argentina has become third among the privatizers of Latin America, after Chile (with its disposal of 475 enterprises, Chile became the world's largest privatizer) and Mexico. Almost everything of value is on the auction block. Argentina sold the telephone company, the state airline (these early sales were much criticized for their haste and sloppiness), two television stations, oil and natural gas concessions, 6,200 miles of highway-maintenance concessions, and the rail line to a southern ocean port. These assets were worth about \$10 billion, and there is more to come—shipyards, silos, racetracks. . . .

The list is long but finite. On reaching the end the government will need to tap other sources of revenue, and will then be tempted to tax all this private wealth. But for the moment the news is good. Inflation has declined. The stock market has boomed. The International Monetary Fund (IMF) approved a stand-by loan for \$1.04 billion, and the International Bank for Reconstruction and Development (World Bank) offered an additional \$325 million.

As with privatization, so with deregulation: the theory seems to be, do it fast, and from above. When the government keeps up its breathtaking pace, shows ingenuity, and holds inflation down, the popularity of the president soars. When the government loses momentum and prices begin to rise, Menem's popularity drops. For the government there is no safety net, no web of pacts and institutions supporting it.

Menem, along with a whole series of popular newcomers to politics, is an acrobat, performing before a new type of public opinion. None of the newcomers has been able to gain public office except as a candidate of a major party; unlike in Peru, outsiders cannot make it on their own in Argentine politics. The president, a nimble showman, plays the parts of playboy, sportsman,

caudillo, entrepreneur. Unlike his predecessor he is uplifted rather than weighed down by his multiple roles. At the same time intuitive and out of touch, Menem may well be South America's first postmodern president. He has transformed Argentine politics from stern moral drama to ribald vaudeville, full of scandal and pantomime.

Many of the new Peronist politicians are young, and some are now suspected of involvement in shady deals. By far the worst scandal revolves around accusations of money laundering for the narcotics trade lodged against members of the executive entourage, including relatives of the president. Until recently the president's widely publicized difficulties with his wife and children provided noisy but benign entertainment for the masses, a sort of national soap opera reminiscent of the film *Divorce Italian Style*. The later accusations cast a different, darker, shadow on the political theater.

## MENEM'S TWO AGENDAS

The current success of the economic plan and ensuing party victories at the polls have emboldened Menem to seek reelection. For this he needs to change the constitution, which forbids a second presidential term. But the two-thirds congressional majority needed to approve constitutional changes means cutting a deal with the other parties, in particular the Radical party. When he thought that the Radicals could win the fall 1991 elections, former President Alfonsín, who was then the party head, sought to impose on Menem the introduction of a prime minister in exchange for the reelection clause. After their defeat at the polls, the Radicals have little to negotiate with and may retreat to a more conservative position.

In the meantime Menem tests the political mood with other pet projects. One of these—an old obsession of the president's—is a plebiscite on the institution of the death penalty for serious crimes. Public sentiment against the idea, voiced by the Catholic bishops and by a popular singer in a much-publicized poem, was loud. On other fronts the president had better luck. He managed to enlarge membership on the Supreme Court from five justices to nine, stacking the Court with his appointees and thereby jeopardizing the independence of the judiciary.

These pet projects show that the president's agenda consists of two different sets of items: those that bear his distinctive signature and those that owe more to the spirit of the times. The death penalty initiative is an example of the first, as are Menem's personal campaign against drugs (ironical if we consider some of the characters with whom he surrounds himself) and his enthusiastic alignment with the United States in foreign policy, which is uncharacteristic for an Argentine.

The second set of items on the president's agenda are more the products of the prevailing climate. Privatization, deregulation, and free trade are policies to which

almost everyone these days, East and West, pays homage, or at least lip service. United States President George Bush, whom Menem considers a personal friend, launched his Enterprise for the Americas initiative in 1990, urging countries in the hemisphere to lower trade barriers, break out of their small markets, and bear the risks to reap the profits of economic integration. The United States signed a free-trade agreement with Canada and both countries are in the process of negotiating a similar pact with Mexico. The Central American republics revived their lapsed common market and the Andean nations returned to their plans for economic integration. Argentina joined in and agreed to a common market with neighboring Uruguay, Paraguay, and Brazil to be formed by 1995. Curiously enough, Chile, the only successful economy in Latin America, refuses to join any southern regional group. It waits for the others to match words with deeds, and would much rather enter into an agreement with Mexico than with Argentina.

On privatization, as on several other subjects, the United States and Argentina have not always seen eye to eye. American companies—the manufacturers, not the banks, which have their own means of pressuring the Argentine government—were less nimble, and were hampered by stricter rules, than some of their European counterparts in the initial auction of Argentine state property.

One major American meat-packing company doing business in Argentina finally had enough of the corruption that surrounded the sales and complained to the United States embassy. This prompted Ambassador Terence Todman to publicly admonish the Argentine government on the excesses of some of its officials. Todman is a tough diplomat who takes the capitalist revolution on the pampas seriously. He champions business ethics. He gives the impression that he likes to micromanage certain affairs of state; his car is frequently seen parked in front of important ministries. Argentines, remembering Spanish colonial days, have nicknamed the ambassador “Viceroy.”

These episodes highlight the dilemmas of the United States in Argentina and in Latin America in general. Precisely at the moment when American-style capitalism is at last welcomed and admired, the United States can supply the political and ideological support but not the capital for free enterprise. With the budget deficit in the United States, a Marshall Plan for Latin America is beyond reach. And Latin America faces competition for available assistance from the changing post-Soviet and the underdeveloped worlds.

The best the United States can offer Latin countries is

support while they muddle through reforms, in the hope that things will get better before too long for millions of seriously impoverished citizens. Given increasing evidence of misery in American cities, changing labor markets, and a new focus on long-term dependence among minorities, massive help to stem foreign poverty is unlikely to be forthcoming from the United States. In some cases the prognosis is too gloomy to contemplate. Countries such as Peru, for example, are now “submerging nations”; in a few years they may fall from the map and become “zones” of disease, crime, and turmoil.

In the Argentine case, however, the prospects for muddling through to growth are real. If the present experiment succeeds, there will be immense relief at the sight of a country that survived, and a lot left for Argentines to update and restore—including their once-strong cosmopolitan identity. It should be an exciting Southern renaissance. If the experiment fails, one can easily conjure up visions of Argentines leaving in droves, central power collapsing, and a territory divided between slums and fine chunks of empty real estate.

## A NEW DREAM OF ARGENTINA

Between a fading past and an uncertain future, beneath the hustle and bustle of reform, the sovereignty of the country is the pressing question in Argentina. Beyond conventional trappings—an army, a central administration, symbols, schools—sovereignty is the need to belong, the wish to share in a grand project. Sovereignty is an act of imagination. In this respect, economics falls short, since it is an instrument of repair, not the stuff of dreams on which nations are built.

Since its first day of independence Argentina has been falling apart. It was pulled together in an important way twice: in the 1880s by an oligarchy holding out the prospect of agricultural bounty, liberal trade, and a cosmopolitan city; and in the 1940s by Juan Perón, who promised a dream of industry, mass sports, strong leaders, and a happy working class. These two visions are long gone. On both occasions, however, Argentina was something many people wanted. Most other times, Argentina has been, to the Argentines, something to abjure: economically stagnant and politically unstable, despotic and corrupt. After decades of disappointment, Argentines are alert and cynical. Today, they wait and see—see whether the economic reforms will work, and what fresh entertainment the government will provide for them in the meantime. Between hardship and a dream yet to be determined, what President Carlos Saúl Menem offers Argentines is theater: a colorful one-man show. ■



"If any third world country can hope to establish or reestablish a measure of national control over economic decision making and thus make 'democracy' something more than a charade, it is surely Brazil."

## Brazil's Limited Redemocratization

BY JAN KNIPPERS BLACK

The visitor to Brazil in the early 1990s might easily imagine himself in a time warp. The degree of polarization between coalitions of right and left is highly reminiscent of those that prevailed in the early 1960s. There are even a great many organizations and individuals who were prominent 30 years earlier once again holding leadership roles, particularly on the right. The essential difference is that nationalists on both sides appear to have no options and no illusions.

The model of full-fledged socialism that inspired such hopes and fears among antagonists in the early 1960s has lost its advocates and its relevance. The central question now is whether the nonaffluent will have some measure of effective representation and some protection from the vagaries of the marketplace, or whether money will be the only currency that counts in political as well as in economic transactions. And finally, Brazilians, like most other peoples in the late twentieth century, confront the challenge of reclaiming from an intransigent transnational creditor cartel a measure of national control over economic policymaking.

### THESIS AND ANTITHESIS

Starting half a millennium ago, with the European exploitation of the Amazon, and returning full circle

today to the rain forest, the Brazilian experience sets in relief the limits of "development" as generally perceived and pursued—that is, as exhaustive production. Unlike the indigenous peoples, who had lived in a state of equilibrium with their environment, European colonists were linked to export markets and tended to exploit the resources of a newly claimed area until they were depleted.

Among the resources that were nearly depleted early on were the indigenous peoples themselves, who had been enslaved to stoke the sugar boom in Brazil's northeast. Subsequent boom and bust cycles moved the country's center of gravity to the mines of Minas Gerais and to the coffee-producing areas farther south, near São Paulo. The rubber boomlet at the turn of the century focused attention once again on the Amazon, but a new kind of boom—industrialization—was to draw population and resources to the cities of the south-central region in the period between the two world wars.

The seeds of economic nationalism, sown during the disruption and deprivations of World War II and depression, gave rise to the import-substitution model of industrialization, which called for tariff protection of domestic industry and regulation of foreign investment. These developments also gave rise to new political forces, whose demands exacerbated the paranoia of Brazil's economic elite, as well as that of the hemisphere's hegemonic power, the United States.

The United States response to this perceived threat included massive aid to counter peasant organization in the backward northeast, corruption of elections and of the media through IBAD (Institute of Democratic Action) and IPES (Institute of Social Studies and Investigation) support for dissident governors through the Islands of Sanity Policy, the establishment of parallel groups to compete with local organizations of labor, students, and women, and the forging of links with military officers conspiring against the constitutional government.<sup>1</sup>

A military counterrevolution launched in 1964 crushed organizations that had given voice to lower-class

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<sup>1</sup>For elaboration of the United States role in undermining the government of President João Goulart in 1964 and underwriting its military successor regime, see Jan K. Black, *United States Penetration of Brazil* (Philadelphia: University of Pennsylvania Press, 1977) and Ruth Leacock, *Requiem for Revolution* (Kent, Ohio: Kent State University Press, 1990).

demands and gave rise to a different approach to industrial development. It featured "constructive bankruptcy" for unprotected domestic firms and an emphasis on export promotion, a strategy compatible with a trickle-up rather than trickle-down redistribution of income.

Even after the country recorded a 4.6 percent economic decline in 1990 (the largest drop since such figures were first recorded in 1947), even after a decade of three-to-four-digit inflation (a record 1,795 percent for 1990), and even after running up the third world's largest foreign debt (\$120 billion in 1991), this counterrevolutionary economic strategy cannot be considered a failure. It continues to enrich a small elite of Brazilians along with a great many multinational concerns and, above all, foreign creditors. But for most Brazilians it has been disastrous. By 1990, according to a report by the International Bank for Reconstruction and Development (World Bank), only in Honduras and Sierra Leone was income distribution more unequal than in Brazil.<sup>2</sup>

## BREAKING WITH THE PAST

For the affluent, the traumatic era of the divine right of generals has passed. But this is not to say that civil and human rights are no longer being violated. As a Brazilian social worker remarked to the author in the late 1970s, the military dictatorship had "democratized" the violation of human rights. Redemocratization means that violations have once again been restricted to the poor, who have always been vulnerable. Brazil's break with its military past has been gradual and remains incomplete; the perpetrators of so many heinous crimes remain in military, rather than prison, uniforms. Little by little, however, the electoral and parliamentary system that earlier served to legitimize dictatorship has broadened its base. The November 1982 elections produced stunning victories for the opposition, and in 1984, for the first time in more than 20 years, the electoral college elected a civilian president—Tancredo Neves of the opposition Brazilian Democratic Movement party (PMDB). Undergoing surgery, however, Neves missed his scheduled inauguration in March 1985 and died on April 21. The man who then assumed the presidency, Vice President José Sarney, was a late defector from the military government's Social Democratic party (PDS).

A remarkable rebound in the economy, which registered 8 percent growth in 1985, helped Sarney to overcome his lack of a popular base. Economic growth, accompanied by an inflation rate approaching 500 percent, did not narrow the income gap that had been widening for more than 20 years. But Sarney's cruzado plan, introduced in February 1986, which froze prices

and wages, proved highly popular and served to break the momentum of a new leftist-populist movement that had been coalescing around Leonel Brizola, the governor of the state of Rio de Janeiro.

Having launched the Democratic Labor party (PDT) in 1982, Brizola, a leading figure on the left in the early 1960s, was making a spectacular comeback as a moderate European-style social democrat. He was soon to be overtaken, however, by a relative newcomer. Luís Inácio (Lula) da Silva, a labor leader propelled to prominence by staging successful wildcat strikes in the 1970s and early 1980s, had also launched a party, the Workers party (PT), and was threatening to pass Brizola on the left.

## ELECTIONS AND OTHER TRIVIAL PURSUITS

Brazilians approached the national and state elections of November 1986 in a spirit of revelry. The campaign clichés that would sell candidates as blithely as soaps offered no clues as to what the country had so recently endured or to what was now at stake. The tortured generation could only look on in anguish as their compatriots sought to push recent history into the dark recesses of their memories and concentrate on the future, or, in the manner of the United States, to treat politics as the equivalent of sport.

The elections, featuring some 45,000 candidates representing 30 parties, resulted in a sweeping victory for the ruling PMDB; it took all but one of the 23 governorships and won absolute majorities in both houses of the National Congress. Between them, the PMDB and its coalition partner, the Liberal Front party (PFL), the largest vestige of the defunct military government's PDS party, won 90 percent of the contested offices.

This sweep did not suggest that Brazil was en route to the kind of monopolistic one-party system so common in the third world. Personalism continued to reign supreme in a complicated electoral system that combined intraparty and interparty competition in a single vote. Little trace of party loyalty or discipline could be found; thus the PMDB victory, impressive as it was, suggested neither a high level of consensus in the polity nor predictability in the policymaking process. PMDB Senator Fernando Henrique Cardoso of the state of São Paulo compared the party to a bus in which the passengers all wanted to go in different directions.

Indeed, many who had supported the party on the strength of its economic policies were stunned when, only days after the election, Sarney lifted price controls. Workers accused the government of betrayal. Rioting broke out in Brasília and strikes began to unsettle the industrial heartland. Compounding working-class grievances, a violent reaction by the army to a strike at the Volta Redonda steel plant on the eve of municipal elections in 1988 contributed to a sweep for the left, particularly Brizola's PDT and Lula's PT, in major metropolitan areas. Lula's party won in 35 of the largest cities, including São Paulo.

<sup>2</sup>Ben Ross Schneider, "Brazil under Collor: Anatomy of a Crisis," *World Policy Journal*, vol. 8 (Spring 1991), pp. 321-347.

One year later, in 1989, Brazil held its first direct presidential election—that is, one not mediated by an electoral college—since 1960. The first round of the November 1989 balloting was inconclusive, but narrowed the field to Lula and Fernando Collor de Mello, the former governor of Alagoas. Collor, a relative unknown at the national level, brought to the game strong financial backing and a marketable image. The runoff polarized the political community, setting Collor's new National Renovation party (PRN), essentially a conservative coalition embracing the PFL, the PDS, the Brazilian Labor party (PTB), and most of the PMDB, against Lula's PT, along with Brizola's PDT and the breakaway faction of the PMDB known as the Tucanos. Collor won the second round of the runoff, on December 2, with about 53 percent of the vote.

The October 1990 gubernatorial and legislative elections, featuring some 70,000 candidates vying for more than 1,500 offices, followed a familiar pattern. While results in congressional races (in which rural areas are overrepresented) favored centrist and rightist parties, giving Collor the possibility of a working majority, governorships and mayoralties in the most populous and most industrialized areas went to left-of-center candidates. In stark contrast to electoral patterns in the United States, there was a high turnover; almost two-thirds of the winners in congressional races were newcomers.

## POLITICAL DEJA VU

Redemocratization has also seen the growth of political front organizations representing the "producing" classes that are remarkably similar in composition, rhetoric, and political agenda to United States-supported groups operating in the early 1960s. In fact, leaders of several such groups—for example, the Chamber of Social and Economic Studies and Debates (CEDES), which mobilizes business elites; the Rural Democratic Union (UDR), which represents ranchers and is suspected of running rural death squads; and the Civic Movement for National Recuperation (MCRN), which draws together military and economic elites—were active in the earlier campaigns of IPES and IBAD.<sup>3</sup>

Linkages between this new constellation and the counterrevolutionary coalition of the early 1960s were so obvious that an MCRN leader, Nelson Gomes Teixeira, found it necessary to issue a public denial. "Any likeness," he said, "in the list of names of the members of IPES/IBAD and the patrons of MCRN is a mere coincidence." But federal deputy João Hermann said in 1987, "There is dirty money in the national Constitutional

Assembly [the body charged with writing Brazil's new constitution]. The money of the [United States Central Intelligence Agency] is there."<sup>4</sup>

Covert means of channeling tainted dollars into Brazilian "redemocratization" apparently remain intact. According to documents obtained by Senator Severo Gomes, United States Marine Lieutenant Colonel Oliver North conceded in closed congressional hearings on the Iran-contra scandal that some of the money derived from weapon sales to Iran was used to finance the election of certain candidates to the Brazilian Congress.

Many Brazilian nationalists are even more concerned, however, about the acquisition of expertise among Brazilians in the highly sophisticated and institutionalized forms of corruption that underwrite the United States system of tenured officialdom. Consultants, pollsters, fund-raisers, media advisers, and media campaigns increasingly replace political organizations and platforms as Brazil joins other countries in the increasing capitalization and frivolization of the electoral process. In 1986, for example, Paulo Salim Maluf spent about \$70 million and Antônio Ermirio de Moraes \$50 million in unsuccessful campaigns for the governorship of São Paulo.

## POTENTIALS AND PITFALLS

If any third world country can hope to establish or reestablish a measure of national control over economic decision making and thus make "democracy" something more than a charade, it is surely Brazil. Along with a literacy rate of about 76 percent and a sophisticated, nationalistic intellectual and scholarly community, Brazil in the early 1990s has a network of grass-roots organizations and political parties that despite its weaknesses is more vibrant than that of most countries in the third world and of some in the first world.

But with some 58 percent of its economically active population trying to subsist on \$58 a month or less, Brazil's short-term economic problems are severe. During October 1991, while food prices jumped 27 percent, television carried images of laid-off workers vandalizing their factory in São Paulo and landless peasants in Santa Catarina attacking police with pruning hooks. Increasingly, violence has become an ingredient of daily life.

Until 1990, Brazil's economy was the world's eighth largest; it has since slipped to ninth place, after Spain. Since the 1970s, the country has more than quadrupled its exports and has become one of the world's top 20 producers of petroleum. In the import and export of weapons, as well as in all other aspects of trade, Brazil has expanded and diversified its economic and political relationships. The country seems poised to play a weightier role not only in South America but also in the world. But first it must put its own house in order.

In some measure the constitution promulgated in 1988 was expected to determine the extent to which the country would loosen the bonds of its creditors and chart its own economic course; the extent to which the

<sup>3</sup>René Dreifuss, "Conservative Realignment in Brazil: Political Pivots, Power Axis, and Mobile Fronts" (Paper presented for the New Hampshire International Seminar, Center for International Perspectives, University of New Hampshire, October 16, 1987).

<sup>4</sup>*Jornal do Brasil* (Rio de Janeiro), September 14, 1987.



rigors of its capitalist system would be mitigated by national planning and social safety nets; and the extent to which political representation, civil liberties, and human rights, extended again to the middle classes, would be made effective for the lower classes as well. The new document unfortunately failed to live up to those expectations and is instead full of contradiction, reflecting social conflict rather than resolving it. Even the fundamental choice between a presidential and a parliamentary system has been put on hold until a 1993 plebiscite.

Some of Collor's initial economic measures baffled supporters and opponents alike. He extended, for example, the partial moratorium on debt servicing declared by his predecessor. Having frightened voters during the presidential campaign by charging that Lula would confiscate their savings, once in office he proceeded to "freeze" financial assets amounting to about one-fourth of the country's gross domestic product. Over time, and especially since replacing his original economics minister, university professor Zélia Cardoso de Mello, in 1991, with the more banker-friendly Marcilio Marques Moreira, his policies have more closely approximated the model marketed by major creditors and the International Monetary Fund (IMF). Increasingly resorting to rule by decree, he has frozen public-sector salaries while emphasizing trade liberalization, deregulation, debureaucratization, and privatization.

In October 1991, after surmounting legal and other obstacles, the government finally launched its program of auctioning off state-owned companies. The first company to be auctioned, Usiminas, Latin America's largest steel mill, sold for \$1.2 billion, 14 percent more than the minimum acceptable price. Popular protests against the sale near the stock exchange resulted in scores of injured people.

Seeing austerity as the solution rather than the problem, Collor's government is expected to apply new revenues to debt servicing rather than to welfare measures. Levels of social spending remain among the world's lowest. Worse, most of the social budget addresses upper- and middle-class concerns rather than those of the poor; two-thirds of it is absorbed in administrative costs. Meanwhile, the United Nations International Children's Emergency Fund (UNICEF) estimates that 15 million children live on the streets of Brazil's cities, and the Brazilian government estimates that between 4,000 and 5,000 of them are killed each year, mostly by vigilantes.

### **SINKING IN THE SAME BOAT**

For all its weaknesses and uncertainties, Brazil has undeniably achieved the status of a middle-level power and has ceased to be a "client" of the United States. Through the 1980s, the United States remained Brazil's single most important trading partner, but it no longer accounted for nearly half Brazil's trade, as had been the case in the early 1960s. The intimate ties and the patron-

client relationship between American and Brazilian military establishments that had been so apparent and so destructive in the 1960s dissolved in the 1970s and has not been reinstituted. The dissolution occurred in part because of discord on specific issues: territorial waters claims; Brazil's nuclear power accord with West Germany; and United States President Jimmy Carter's human rights policy. More important, once in power the military, like other sectors of Brazilian society, grew resentful of American expectations that it would subordinate national to United States interests.

But the main reason for the dissolution of the traditional "special relationship" has been that Brazil's accelerated process of industrialization clarified the real conflicts of economic interest between the two countries. Although neither side spoke openly of it, the special relationship that had prevailed for most of the century was based on hegemony, and became inappropriate as Brazil assumed the status of a middle-level power and as the United States, in economic terms, sank toward the same status.

By the late 1980s Brazilian-American relations were dominated by trade issues and particularly by mutual charges of protectionism. The United States complained about Brazil's tariffs, quotas, export subsidies, import restrictions, lack of patent and copyright protection, and limits on foreign investment in the computer industry. In 1988 the United States imposed trade sanctions worth some \$39 million annually for Brazil's failure to protect American pharmaceutical patents, and in 1989 penalized Brazil, under the so-called Super 301 provision of the Trade and Competitiveness Act.

Brazil has recently responded to United States pressure in several areas, including the highly sensitive issue of its protected computer market. In October 1991, Collor signed a bill removing barriers in 1992 to foreign computer products. But Brazilians argue that the United States is a highly protectionist country and charge that its quotas on textiles, sugar, and steel, and its high tariffs on ethanol and orange juice are harming Brazil's trade balance. Brazil also complains that the United States domestic budget deficit pushes up world interest rates, exacerbating Brazil's foreign debt problems.

### **THE CHALLENGE OF THE AMAZON**

Brazilian leaders have always looked lustfully and anxiously at the Amazon Basin, fearing that if Brazil did not explore, develop, and settle the region, its neighbors would. From the end of the rubber boom until the middle of this century, however, these concerns had little physical consequence. The beginning of the contemporary assault on this new frontier might be traced to the building in the late 1950s of the new capital at Brasília in the undeveloped interior state of Goiás.

The pace of development quickened in the 1960s, as the military government established the Superintendency for the Development of the Amazon, began the

construction of the Transamazon Highway; and declared the port of Manaus a free-trade zone. Ranching, logging, and public and private mining ventures, accompanied by massive infrastructure projects—roads, bridges, and dams—have also been undertaken at a rapidly accelerating pace since the beginning of the 1980s.

In the mid-1970s the government began to offer incentives for clearance of the rain forest, a ploy that at the same time offered a tax shelter to major corporations and appeared to constitute an alternative to desperately needed and fiercely resisted land reform. Peasants displaced by drought in the northeast and by mechanization in the southeast have responded to the offer only to find themselves contending once again with the shrewd and often violent tactics of landholders and speculators.

By the 1980s this frontier free-for-all had resulted in hundreds of deaths and a pattern of land concentration comparable to parts of the country settled centuries earlier.<sup>5</sup> The ejected peasants, lacking options, have become an itinerant labor force, concentrated in instant slum towns on the margins of the land they had cleared. Forest clearance incentives were finally revoked in 1987, in response to international pressures, but land speculation continues, fueled by hyperinflation.

## ENDANGERED PEOPLES

Among the many species of plant and animal life endangered by the latest and most multifaceted boom in the Amazon are its people. It is estimated that only about 200,000 of Brazil's indigenous peoples have survived, with perhaps 50,000 of them still living deep in the rain forest. The largest tribe, the Yanomami, their numbers reduced to about 9,000, have recently seen their territory overrun by approximately 45,000 gold prospectors, who have joined in the gold rush that began in 1980 and has made Brazil the world's third-largest gold producer. Dams generating power for major mining operations have displaced tens of thousands of indigenous people.

The Kayapó tribe, one of several threatened by a Xingú River Valley project, has resisted the onslaught; its chiefs, with some assistance from social and natural scientists, took their case as far as the World Bank, which was persuaded in the late 1980s to suspend a \$500-million loan for dam construction. The Brazilian government responded by bringing charges of conspiring against the national interest against the chiefs, along

with an American anthropologist, under the so-called Law of Foreigners. Summoned to give testimony at the federal courthouse in Belém, the Kayapó showed their superior command of public relations techniques; some 400 warriors and three dozen chiefs in full ceremonial dress (or undress), armed with clubs and spears, turned up to confront riot-control police armed with automatic weapons before the world press. International pressures soon coaxed the government to drop its case.

There have also been efforts to organize across broader ethnic divides to defend common interests. Accelerated ranching and logging in Acre and Rodônia, on Brazil's borders with Peru and Bolivia, threaten the livelihood of unacculturated tribes as well as of *caboclo* (mestizo or acculturated Indian) rubber-tappers. Efforts to mobilize against the assault have brought the threatened groups together and have been successful enough to generate an exceedingly violent backlash. Union leader Chico Mendes, murdered in December 1988, was the best known of many popular leaders in the Amazon targeted for assassination. Amnesty International believes that such assaults represent a systematic attempt on the part of property owners to suppress union activities and the inability or unwillingness on the part of civil authorities to prosecute.

## STILL THE LAND OF THE FUTURE

The Collor government has shown some seriousness about environmental issues, in particular the protection of the Amazon. Collor has established a Cabinet-level secretariat for the ecological preservation of the Amazon and has appointed a widely recognized environmentalist, José Lutzenberger, to head it. He has not rejected out of hand—as his predecessor did—the concept of debt-for-nature swaps;<sup>\*</sup> but he has answered those calling for international controls on rain forest clearance by proposing an international tax on carbon emissions. Collor's most dramatic gesture has been to authorize the dynamiting of airstrips used by gold prospectors in Yanomami territory.

On this and other important issues, Collor has shown that he is no mere cipher at the service of private and bureaucratic interests. Nevertheless, his center-to-right constituency is essentially that of the landholding, commercial, and financial elites who have the most to gain and the least to lose from a continuation of boom and bust development, including the recent frenzied consumption of the Amazon.

ECO '92, the United Nations environmental conference that is to take place in Rio de Janeiro this June, offers Collor an opportunity to win international acclaim, as a champion of rain forest preservation. It also offers those who would speak for the nonaffluent an opportunity to persuade the global environmental lobby that in the absence of a new development model addressing human needs, civilization itself may be added to the endangered list. ■

\*Under such an arrangement an environmental group might purchase a portion of a country's foreign debt in exchange for the use of local currency to purchase virgin forest or other underdeveloped areas.

<sup>5</sup>In 1985, according to Kenneth Maxwell, the largest 152 Amazonian estates occupied 40 million hectares, an area equal to the rest of Brazil's cultivated land. See Maxwell, "The Tragedy of the Amazon," *The New York Review of Books*, vol. 38, no. 5 (March 7, 1991), pp. 24–29.

# BOOK REVIEWS

## ON LATIN AMERICA

### Exporting Democracy:

#### The United States and Latin America

*Edited by Abraham F. Lowenthal. Baltimore, Md.: The Johns Hopkins University Press, 1991. 422 pp., \$55.00, cloth; two volumes paper, \$12.95 each.*

The United States reaction to the September 1991 ouster of Haitian President Jean-Bertrand Aristide—its condemnation of the coup and active support of sanctions imposed by the Organization of American States—will prove in the coming months how effectively Washington can promote democracy in a foreign country. But if the history of similar United States attempts to promote democracy are any indication of what we may hope for, then the prospects for a democratic Haiti are bleak.

Beginning with a historical overview of United States relations with Latin American countries from Presidents Woodrow Wilson to Ronald Reagan, *Exporting Democracy* illustrates how attempts to impose democratic institutions have repeatedly failed. Although the reasons given for the failures vary, there is a common thread that runs through the analysis by the 15 authors: democracy is not expedient.

The essays in this volume show that the promotion of democracy has consistently taken a back seat to more pressing concerns, usually the establishment of security arrangements against military threats (real or perceived) from an outside power. Since military assistance has proved more palatable than interference in local politics, it is hardly surprising that existing United States–Latin American relations depend in great part on military (and usually undemocratic) forces in the region.

Less a “how-to” than a “how-not-to” book, *Exporting Democracy* offers the reader a well-balanced understanding of where the promotion of democracy has taken United States policy in this hemisphere in the past and a good indication of where it will lead it in the future.

Sean Patrick Murphy

### The Mexican Political System in Transition

*By Wayne A. Cornelius and Ann L. Craig. San Diego, Cal.: Center for U.S.-Mexican Studies, University of California, 1991. 124 pp., no price.*

This concise and entertaining monograph outlines the history of Mexican politics, describes how the ruling Institutional Revolutionary Party (PRI) has begun to

open up the political process since 1988, and speculates about the political entities that may emerge from the party's liberalization process.

What new Mexico will hatch from the PRI shell in the course of its Soviet-style top-down democratization? Cornelius and Craig envision four alternatives, none of which is very optimistic about the PRI's willingness to abdicate its position. However, the authors do not rule out that power-sharing or even limited political pluralism may result.

S. P. M.

### Cocaine Politics: Drugs, Armies, and the CIA in Central America

*By Peter Dale Scott and Jonathan Marshall. Berkeley, Cal.: University of California Press, 1991. 279 pp., \$24.95.*

As the authors of *Cocaine Politics* admit in their introduction, this book picks up where the 1989 report of the Senate Subcommittee on Terrorism, Narcotics and International Operations left off. Aside from the predictable laundry lists of officials and private citizens who have participated in narcotics trafficking, the book also provides some intriguing insights into the way government-supported covert operations open new channels of drug distribution around the world.

Admittedly more analytical than investigative, the book falls short of breaking any real new ground concerning United States adventures in Central America in the 1980s.

S. P. M.

### The Battle for Guatemala: Rebels, Death Squads, and U.S. Power

*By Susanne Jonas. Boulder, Col.: Westview Press, 1991. 288 pp., \$42.00, cloth; \$16.95, paper.*

Although the current stalemate in discussions between rebels and the military may presage continuing violence and misery in Guatemala, Jonas believes that civil war will not always be part of the country's political makeup. In her authoritative book she recounts the history of modern Guatemala, rooted in a solid understanding of its more distant past.

Unflinching in her description of how the United States has played a major role in supporting one of the world's most repressive militaries, Jonas is ultimately optimistic regarding Guatemala's place in the “New International Disorder.” Although decidedly leftist in its sympathies and terminology, Jonas's book deserves the serious consideration of anyone interested in United States–Central American relations.

S. P. M. ■



# THE MONTH IN REVIEW

DECEMBER 1991

## INTERNATIONAL

### European Community (EC)

(See also *Intl, GATT, Germany, USSR, Yugoslavia*)

Dec. 11—At the end of a 2-day summit meeting in the Dutch city of Maastricht, EC heads of state endorse a draft treaty on complete monetary and “closer” political union. Under the treaty, a single currency—the European Currency Unit (ecu)—and a European central bank will be created before 1999; countries can opt out of adopting the currency, a choice requested by Britain. EC members agree to implement a common foreign and security policy through the Western European Union (WEU), to which 9 EC countries already belong, as well as an eventual independent defense compatible with the North Atlantic Treaty Organization (NATO). The pact must be ratified by the parliaments of all EC member countries.

Dec. 17—Czechoslovakia, Hungary, and Poland become associate EC members; they are now guaranteed access to the European free-trade area by the end of the 1990s.

### General Agreement on Tariffs and Trade (GATT)

Dec. 20—In Geneva, GATT director general Arthur Dunkel presents a draft agreement intended to break the deadlock in the Uruguay Round of world trade talks; the draft includes calls for cuts in agricultural subsidies worldwide and for copyright and patent protection.

Dec. 23—In Brussels, EC trade ministers issue a statement calling Dunkel's plan “unacceptable” because of its agricultural provisions.

### International Atomic Energy Agency (IAEA)

(See also *Korea, North*)

Dec. 13—Argentina and Brazil sign an agreement in Vienna placing their nuclear sites under IAEA safeguards.

### International Bank for Reconstruction and Development (World Bank)

(See *Kenya*)

### International Monetary Fund (IMF)

(See *Kenya*)

### International Terrorism

Dec. 2—American hostage Joseph Cicippio, kidnapped in January 1987 in Beirut by the pro-Iranian Revolutionary Justice Organization, is freed; his release comes after United Nations (UN) special envoy Giandomenico Picco arranged an Israeli release yesterday of 25 Arab prisoners.

Dec. 3—American Alann Steen, who was kidnapped in Beirut in January 1987, is freed by the pro-Iranian Islamic Holy War for the Liberation of Palestine.

Dec. 4—American hostage Terry Anderson, who was the chief Middle East correspondent for the Associated Press when he was abducted in Beirut in March 1985, is turned over to

Syrian officials in Lebanon by Islamic Holy War; Anderson, the last American hostage in Lebanon, is the 9th Western hostage to be freed since August; 2 German hostages remain in captivity.

Dec. 8—In Tripoli, Ahmed al-Taher al-Zawi, the judge investigating the 1988 bombing of a Pan American World Airways jet over Lockerbie, Scotland, that killed 270 people, says the 2 Libyan suspects indicted last month in the US and Britain are under arrest but will not be extradited; Libyan officials report that 4 other Libyans accused of blowing up a French Union de Transports Aériens (UTA) airplane over Niger in 1989, killing 171 people, are being detained and will be questioned by the judge.

Dec. 22—Pathologists confirm that remains recovered yesterday in Beirut are those of Lieutenant Colonel William Higgins, a United Nations observer kidnapped in Tyre, Lebanon, in February 1988 by a group calling itself the Organization of the Oppressed on Earth; in July 1989 the group announced that it had killed Higgins after Israeli troops abducted Lebanese Shiite leader Sheik Abdel Karim Obeid.

Dec. 27—A skull and other bones found near Beirut's international airport are determined to be those of William Buckley, the US Central Intelligence Agency's (CIA's) chief officer in Lebanon; Buckley was taken hostage in March 1984 by Islamic Holy War and died, apparently after torture, in 1985.

### Middle East Peace Conference

Dec. 10—In Washington, D.C., Jordanian, Lebanese, Palestinian, Syrian, and Israeli negotiators meet for the second round of peace talks, which began last month in Madrid. Israeli, Jordanian, and Palestinian representatives spend the day in a procedural dispute; the talks, which had been scheduled to open December 4, were delayed by Israel.

Dec. 18—The peace talks adjourn after failing to move beyond procedural questions; they are tentatively scheduled to resume next month.

### North Atlantic Treaty Organization (NATO)

(See also *Intl, EC*)

Dec. 20—Calling themselves the North Atlantic Cooperation Council, NATO ministers and those from the former Warsaw Pact countries meet in Brussels for the 1st time. The Soviet delegate, Nikolai Afanasyevsky, reads a letter from Russian President Boris Yeltsin stating that NATO membership is a long-term goal of Russia's.

### United Nations (UN)

(See also *Intl, International Terrorism, Cambodia, Japan, USSR, US, Foreign Policy, Yugoslavia*)

Dec. 2—The UN's Economic Commission on Europe releases a report estimating the 1991 decline in economic output in both eastern Europe and the Soviet Union at nearly 15%.

and the decline over the past 3 years in eastern Europe at 25%; it predicts that the former East Germany's industrial output will drop by 50% in 1991.

Dec. 13—The General Assembly unanimously approves a resolution recommending that countries phase out economic sanctions and drop other sanctions against South Africa.

Dec. 15—The Security Council votes unanimously to send a token force of about 20 military police and observers to Yugoslavia and to tighten its arms embargo against the country.

Dec. 16—The General Assembly votes to revoke the "determination" contained in Resolution 3379, which was approved in 1975, that "Zionism is a form of racism and racial discrimination." The Soviet Union and 110 other countries vote for repeal, 25 members vote against it, and 13 abstain; no Arab country supports the action. US President George Bush urged the repeal in a September speech at the UN.

Dec. 21—The General Assembly approves a resolution calling for an international ban on drift-net fishing by 1993.

#### Western European Union (WEU)

(See *Intl, EC*)

### ALBANIA

Dec. 6—The opposition Democratic party withdraws from the coalition Cabinet, saying the government is stifling reform. Prime Minister Ylli Buqi resigns and the government collapses.

Dec. 7—President Ramiz Alia issues a decree authorizing the army to restore order after 3 days of food riots in Tirana and other cities in northern Albania; the riots were set off by a government announcement on December 4 that food reserves would last only 1 week.

Dec. 10—Alia names Vilson Ahmeti prime minister and asks him to form a government.

Dec. 12—In Tirana more than 20,000 demonstrators demand that Alia resign.

Dec. 22—Alia calls for general elections in March.

### ALGERIA

Dec. 27—Final results of the 1st round of voting in Algeria's 1st free elections for the National Assembly, which were held yesterday, show that the fundamentalist Islamic Salvation Front (FIS) won 188 of the 430 seats, with 44% of the vote; the ruling National Liberation Front won 16 seats, and the Front for Socialist Forces 20 seats; runoffs will be held January 15 for the 225 seats for which a majority was not obtained. The FIS needs another 28 seats to secure a parliamentary majority.

### ARGENTINA

(See *Intl, IAEA*)

### AUSTRALIA

Dec. 19—Labor members of Parliament vote 56 to 51 to replace Bob Hawke as Labor party leader with former Treasury Minister Paul Keating; Keating thus automatically becomes prime minister. This is the 1st time an Australian prime minister has been ousted by his own party.

### BRAZIL

(See *Intl, IAEA*)

### CAMBODIA

Dec. 21—The government tells Khmer Rouge leaders in Bangkok not to return to Cambodia after widespread demonstrations today against their anticipated return erupt in Phnom Penh.

Dec. 30—The Supreme National Council, which includes Khmer Rouge leader Khieu Samphan, representatives of the Vietnamese-supported government, and Prince Norodom Sihanouk, meets for the 1st time; the group agrees to ask the UN to send a mission to disarm all factions and to administer the government during the transition to democratic rule.

### CANADA

Dec. 16—The government announces that it has agreed to create a 770,000-square-mile area in the eastern portion of the Northwest Territories that will be controlled by the Inuit people who live there; the area will be called Nunavut. The government also agrees to give the Inuit a cash settlement of more than \$1 billion to be paid over 14 years, and to grant them mineral and resource development rights in Nunavut.

### CHINA

(See *India*)

### COLOMBIA

Dec. 16—In Caloto a paramilitary group kills 20 peasants and injures 10; authorities suspect the attackers were trying to evict the victims from a farm.

### COMMONWEALTH OF INDEPENDENT STATES (CIS)

(See *USSR*)

### CZECHOSLOVAKIA

(See *Intl, EC*)

### DJIBOUTI

Dec. 18—Government troops kill about 40 people and injure 50 in a sweep for guerrillas; the guerrillas are demanding that the single-party government allow multiparty democracy.

### FRANCE

(See *Togo, Vanuatu*)

### GERMANY

(See also *Intl, International Terrorism, UN*)

Dec. 19—In an effort to combat a wage-price spiral that could cause inflation to rise above its present level of 4.2%, the Bundesbank, Germany's central bank, raises its discount rate 0.5%, to 8%—the highest level since 1948. Germany did not consult with other EC members before raising the rate.

### HUNGARY

(See *Intl, EC*)

### INDIA

Dec. 6—In Uttar Pradesh near the border with Punjab state, Sikh separatists kill 51 people in an overnight shooting spree.

Dec. 12—Chinese Prime Minister Li Peng ends a 2-day state visit to India; this is the 1st visit by a Chinese head of state in 31 years. Li and Indian Prime Minister V. K. Rao signed agreements on a resumption of border trade; the establishment of consulates in Bombay and Shanghai; and cooperation in space-related research and technology.

Dec. 17—Arabind Rajkhowa, chairman of the guerrilla United Liberation Front of Assam, announces a unilateral and indefinite cease-fire; the group seeks Assamese independence.

Dec. 26—In Punjab state, gunmen thought to be Sikh militants attack a passenger train, killing 49 passengers and injuring 20; 47 of the 49 killed were Hindus.

## ISRAEL

(See Intl, *International Terrorism, Middle East Peace Conference, UN; Lebanon*)

## JAPAN

Dec. 10—Government officials announce that parliamentary support for a bill approved by the lower house of the Diet on December 3 that would allow Japanese participation in UN peacekeeping forces has collapsed; the bill, which is supported by Prime Minister Kiichi Miyazawa, may be reintroduced after parliamentary elections next year.

Dec. 26—The government announces that Japan's balance of payments surplus increased more than 300% over the last year, from \$1.69 billion in November 1990 to \$7.26 billion last month; the increase is mainly due to a decline in Japanese imports.

## JORDAN

(See Intl, *Middle East Peace Conference*)

## KENYA

Dec. 2—At a meeting of the governing council of the Kenya African National Union (KANU), President Daniel arap Moi proposes dropping an amendment to the Kenyan constitution that legalized one-party rule in 1982, thus opening the way for multiparty politics; the council agrees, but does not schedule elections.

Dec. 3—Delegates to a KANU party conference approve Moi's proposal to permit the registration of new political parties. Parliament must now pass legislation to repeal the 1982 amendment.

Dec. 28—The International Monetary Fund delays releasing a \$63-million loan to Kenya because of the country's noncompliance with IMF budget-deficit and privatization standards; last month the World Bank declared a 6-month halt in aid to Kenya because of allegations of corruption and human rights abuses.

## KOREA, NORTH

(See also *Korea, South; US, Foreign Policy*)

Dec. 26—At talks between officials of North and South Korea in Panmunjom, North Korea agrees to sign and implement an International Atomic Energy Agency safeguard pact and to permit international inspection of its nuclear research center in Yongbyon.

## KOREA, SOUTH

(See also *Korea, North; US, Foreign Policy*)

Dec. 12—Meeting in Seoul, North Korean Prime Minister Yon Hyong Muk and South Korean Prime Minister Chung Won Shik sign a treaty of nonaggression and reconciliation; the treaty reestablishes some economic exchanges and transport links; allows the reuniting of families that have been separated since the beginning of the Korean War in 1950; and asks both sides to renounce efforts to overthrow each other's government.

Dec. 18—President Roh Tae Woo announces that there are no longer any nuclear weapons in South Korea; the announcement satisfies one of North Korea's conditions for allowing international inspection of its nuclear facilities at Yongbyon.

Dec. 31—The North and South Korean governments announce that they have initialed an agreement that bans nuclear arms from their territory but does not include measures to ensure compliance; a joint committee will determine how inspections of nuclear facilities should be conducted.

## LEBANON

(See also Intl, *International Terrorism, Middle East Peace Conference*)

Dec. 17—Israeli jets destroy a Popular Front for the Liberation of Palestine-General Command base outside the village of Sultan Yacub, 45 miles east of Beirut; 3 members of the Popular Front are injured. Israel claims that the base has been used to stage attacks against it.

Dec. 30—A car bomb explodes in Beirut, killing 20 people and injuring 82; no one takes responsibility for planting the bomb.

## LIBYA

(See Intl, *International Terrorism*)

## MEXICO

Dec. 18—Voting 460 to 22, the lower house of Congress approves legislation that gives legal recognition to religious institutions and permits parochial education for the 1st time since the 1917 revolution; the Senate has not yet voted on the measures.

## MYANMAR

Dec. 12—The military government closes universities in Yangon and sends the army to break up a 3d day of student demonstrations calling for the release of opposition leader Aung San Suu Kyi; as many as 500 protesters are reported arrested. The recipient of the 1991 Nobel Peace Prize, Suu has been under house arrest since 1989.

## NICARAGUA

Dec. 14—Legislators in the National Assembly vote 47 to 46 to uphold President Violeta Barrios de Chamorro's veto of a bill that would have authorized confiscation of land that the Sandinistas took control of last year before relinquishing power; Chamorro said she feared that enacting the bill would lead to factional violence.

## NIGERIA

Dec. 14—In elections for state governors and assemblies, the National Republican Convention wins 13 of 30 assembly races and 16 governorships, while the Social Democratic party wins 17 and 14 respectively.

Dec. 19—The government announces that it is lifting a 5-year-



old law forbidding former senior officials from seeking elective office. This will permit members of the present military government, except for President Ibrahim Babangida, to run in the next elections, which are scheduled for the end of 1992.

## PHILIPPINES

Dec. 27—The government says the US must withdraw from the Subic Bay naval station, the principal American supply and ship-repair facility in the western Pacific, by the end of 1992.

## POLAND

(See also *Intl, EC*)

Dec. 5—President Lech Walesa appoints Jan Olszewski, a critic of free-market reforms, prime minister.

Dec. 6—The Sejm confirms Olszewski as prime minister by a vote of 250 to 47, with 105 abstentions.

Dec. 17—Olszewski resigns after he becomes the 3d person in 2 months to fail in efforts to form a government; he blames Walesa for his failure, saying the president was not cooperative.

Dec. 18—The parliament asks Olszewski to continue his attempts to form a government.

Dec. 23—Parliament votes to accept a new Cabinet formed by Olszewski.

## ROMANIA

Dec. 7—A national referendum on a new constitution formally making Romania a multiparty republic is held; 77% of voters approve the change.

## SOMALIA

Dec. 7—*The New York Times* reports that fighting in Mogadishu between supporters of President Ali Mahdi Mohammed and those of General Mohamed Farrah Aideed has left at least 4,000 people dead in the last 3 weeks; most of those killed were civilians.

## SOUTH AFRICA

(See also *Intl, UN*)

Dec. 7—At its 1st congress in South Africa in more than 40 years, the Communist party elects Martin Thembisile (Chris) Hani party general secretary; he succeeds Joe Slovo.

Dec. 20—At the opening in Johannesburg of the 2-day Convention for a Democratic South Africa, President F. W. de Klerk says his government is willing to negotiate plans for an interim government and for the inclusion of blacks in Parliament until a new nonracial constitution is completed; all citizens will vote in a referendum on the plans. De Klerk criticizes the African National Congress (ANC) for maintaining its guerrilla wing in spite of having suspending its "armed struggle" nearly 2 years ago; ANC president Nelson Mandela calls de Klerk unfit to lead the government and accuses the president of allowing black factional violence in the townships to continue.

## SYRIA

(See *Intl, International Terrorism, Middle East Peace Conference*)

## TAIWAN

Dec. 21—The ruling Nationalist party (Kuomintang) wins 71% of the vote in today's national parliamentary elections; the

opposition Democratic Progressive party, which supports Taiwanese independence, wins 24%. Less than 22% of the new legislators are originally from mainland China.

## TOGO

Dec. 2—Prime Minister Joseph Koffigoh offers to bring supporters of ousted leader Gnassingbé Eyadéma into the government, but refuses to dissolve his government in favor of Eyadéma. He asks France to send troops to its former colony to help protect his administration.

Dec. 3—Rebel soldiers attack the government palace in Lomé and seize Koffigoh; 17 people are killed in the attack. Togo radio reports that Koffigoh and Eyadéma have agreed to form a coalition government; however, the prime minister remains in rebel custody.

## TRINIDAD AND TOBAGO

Dec. 17—Results of parliamentary elections held yesterday show that the People's National Movement (PNM) won 21 of the 36 seats; the ruling National Alliance for Reconstruction retained only 2 of the 33 seats it had won in 1986, and the United National Congress of Basdeo Panday won 13 seats. PNM leader Patrick Manning will succeed A. N. R. Robinson as prime minister.

## UNION OF SOVIET SOCIALIST REPUBLICS (USSR)

(See also *Intl, NATO, UN; US, Foreign Policy*)

Dec. 1—In Kazakhstan, Nursultan Nazarbayev wins election as the republic's president, capturing 98% of the vote; he was the only candidate.

Dec. 2—Results from yesterday's elections in Ukraine show that Leonid Kravchuk won as much as 60% of the vote to become Ukraine's 1st freely elected president; almost 90% of Ukrainian voters vote in favor of Ukrainian independence in a referendum, also held yesterday.

Dec. 4—The central government informs its foreign commercial-bank creditors that it is postponing repayment of some \$4 billion in principal on loans incurred before January 1, 1991.

Dec. 6—The Russian republic parliament approves a 28% value-added tax.

Following Russia's lead, 6 other republics agree to begin raising price-control ceilings after January 1, as a preliminary step before complete price decontrol.

Dec. 8—Meeting in Brest, Belarus (formerly Byelorussia), the leaders of Russia, Belarus, and Ukraine declare that "the USSR as a subject of international law and geopolitical reality is ceasing its existence"; they invite other republics to join a new commonwealth of independent states. The commonwealth will use the ruble as its common currency and will include "coordinating bodies" for foreign affairs, defense, and the economy to be headquartered in Minsk. The 3 leaders—Yeltsin, Kravchuk, and Belarussian parliament chairman Stanislav Shushkevich—say their authority to dissolve the Soviet Union derives from the fact that their republics were the original signatories to the 1922 treaty founding the union.

Dec. 9—Soviet President Mikhail Gorbachev says the leaders of Russia, Belarus, and Ukraine do not have the authority to dissolve the Soviet Union; he says their plan should be treated only as a proposal that must be approved by all the Soviet republics.

Armenian President Levon Ter-Petrosyan says Armenia is ready to join the new commonwealth.

Dec. 12—Yeltsin proposes retroactively including Nazarbayev as a cofounder of the commonwealth. The Russian parliament approves the accord establishing the commonwealth, 188 to 6, with 7 abstentions.

Kravchuk announces that he has assumed the duties of commander in chief of Soviet army and navy forces in Ukraine, including the Black Sea Fleet.

Dec. 13—After meeting in Ashkabad, Turkmenistan, the presidents of the Central Asian republics of Kirghizia, Kazakhstan, Turkmenistan, Uzbekistan, and Tajikistan agree to join the proposed commonwealth.

Dec. 17—Meeting with reporters accompanying visiting US Secretary of State James Baker 3d, Nazarbayev says Kazakhstan will keep its nuclear weapons as long as Russia does; Yeltsin has said that all former Soviet republics except Russia will eventually eliminate their nuclear weapons.

Dec. 18—Leaders of the Slavic republics promise to honor disarmament agreements concluded between the central government and the US; they also agree to allow US advisers to help dismantle some nuclear warheads.

Dec. 19—Yeltsin assumes control of the Soviet Foreign Ministry, parliament, KGB, and the presidential offices at the Kremlin.

Dec. 21—Meeting in Alma-Ata, Kazakhstan, the leaders of 11 republics sign an agreement forming the Commonwealth of Independent States (CIS); Georgia does not participate. The agreement establishes the republics' sovereignty but leaves unsettled issues such as government financing, borders, citizenship, control of the military, and oversight of nuclear weapons. The commonwealth is to be headed by a council of heads of state and government. The parliaments of the 11 republics must ratify the agreement.

The republic presidents agree that Russia should fill the Soviet Union's seat on the UN Security Council.

Dec. 22—Opposition forces led by the Georgian republic's former prime minister, Tengiz Sigua, clash with government troops in Tbilisi, Georgia; at least 7 people are reported killed and several dozen are injured.

Dec. 23—The EC grants Russia de facto recognition as the legal successor to the Soviet Union.

At least 30 people are reported killed in continued violence in Tbilisi; opposition forces launch rocket and artillery attacks in an attempt to force republic President Zviad Gamsakhurdia from his fortified headquarters in the republic parliament building. Fighting is also reported in the South Ossetian region of Georgia, where ethnic Ossetians are pressing for independence.

Dec. 25—In a nationally televised address, Gorbachev says he is "discontinuing [his] activities" as president of the Soviet Union "as a result of the formation of the Commonwealth of Independent States"; after the address the Soviet flag is lowered at the Kremlin.

Dec. 26—The Soviet Congress of People's Deputies convenes in Moscow and passes a resolution that acknowledges the dissolution of the Soviet Union and ends the Congress's existence.

Dec. 28—Georgian government and opposition forces agree to a cease-fire after talks at the republic parliament.

Dec. 29—Ignoring the cease-fire declared yesterday, loyalist Georgian troops oust opposition forces from the area around

the parliament building. At least 53 people have been killed in the past week of fighting in Tbilisi.

Dec. 30—Meeting in Minsk, CIS leaders agree that members may form separate armies but strategic arms will remain under a central command. The division of the former Soviet army's equipment has not yet been agreed on.

## UNITED KINGDOM (UK)

### Great Britain

(See also *Intl*, *EC*, *International Terrorism*; *Vanuatu*)

Dec. 16—A bomb explodes near a railroad junction in South London; the Irish Republican Army (IRA) claims responsibility. During the previous 2 days the IRA exploded several firebombs in London. There are no injuries reported.

### Northern Ireland

(See also *UK*, *Great Britain*)

Dec. 12—At least 66 people are injured after a bomb explodes at a police station in Craigavon, near the border with Ireland; the Irish Republican Army claims responsibility for the bombing.

## UNITED STATES (US)

### Administration

Dec. 5—President George Bush names Transportation Secretary Samuel Skinner as his chief of staff; John Sununu resigned from the position on December 3.

Dec. 16—At a news conference, Energy Secretary James Watkins announces a plan to close all but 4 of the government's 15 nuclear-weapons production plants by 1996 and to clean up waste generated by the plants.

Dec. 19—The Justice Department and the Manhattan, New York, district attorney's office announce that the Luxembourg-based Bank of Credit and Commerce International will plead guilty to federal racketeering and fraud charges filed today in federal court in Washington, D.C., and to fraud and larceny charges filed in New York in July and pay a \$550-million federal fine and a \$10-million state fine to resolve charges against the institution.

Dec. 26—Bush nominates management consultant Barbara Franklin as commerce secretary.

### Foreign Policy

(See also *Intl*, *International Terrorism*, *UN*; *Philippines*; *USSR*)

Dec. 6—The US bars duty-free tariff rates on exports from Yugoslavia to the US.

Dec. 11—The United States and South Korea offer to allow North Korea to inspect any civilian or military site in South Korea to confirm that all nuclear arms have been removed if North Korea reciprocates and also agrees that neither it nor South Korea will produce weapons-grade plutonium.

Dec. 12—In a speech at Princeton University, Secretary of State James Baker 3d calls for an international conference in Washington, D.C., in January to develop an aid program for the Soviet Union.

Dec. 15—In Moscow, during a visit by Baker, Russian Foreign Minister Andrei Kozyrev requests US recognition of Russia, Belarus, and Ukraine, saying this would help prevent further political turmoil in the newly formed Commonwealth of Independent States (CIS).

Dec. 25—Bush announces US recognition of the 12 Soviet republics as independent countries and says the US will

## ECONOMIC INDICATORS December Reports

	Change from previous period	Total
<b>Gross Domestic Product (GDP)*</b> 3d quarter, revised	+1.8%	\$4.86 trillion
<b>Merchandise Trade Deficit</b> 3d quarter	+ 33%	\$20.5 billion
October	-2.9%	\$6.7 billion
<b>Consumer Price Index</b> November	+ 0.4%	137.8 points
<b>Unemployment</b> November	unchanged	6.8% (8.5 million)
<b>Leading Economic Indicators</b> November	+0.1%	145.5 points
<b>Discount Rate</b> December 20 Lowest since 1964	-1.0%	3.5%
<b>Prime Rate</b> December 20 Lowest since 1977	-1.0%	6.5%
<b>Dow Jones Industrial Average</b> December 27 Index jumped 269.23 points in December	+62.39 points	3,163.91 points

\*On December 4, the Commerce Department announced that it would no longer use the gross national product as its primary measure of United States economic performance.

Sources: Commerce and Labor Department reports; news reports.

establish diplomatic relations with Russia, Armenia, Belarus, Kazakhstan, Kirghizia, and Ukraine.

### Labor and Industry

- Dec. 4—Pan American World Airways ceases operations; Pan Am is the 3d large American airline to stop flying this year.
- Dec. 18—The General Motors Corporation, the largest American manufacturer of cars and trucks, announces that by mid-decade it will eliminate about 74,000 jobs, or 18% of its workforce, and close 21 of its 125 plants.

### Political Scandal

- Dec. 4—In state court in Los Angeles, Charles Keating, Jr., is found guilty on 17 of 18 counts of securities fraud. Allegations that 5 US senators improperly intervened with regulators on behalf of Keating's Lincoln Savings and Loan Association in Irvine, California, gave rise to the "Keating 5" scandal.
- Dec. 12—The Justice Department announces the filing of 77 broader counts of felony fraud and racketeering against Keating and 4 associates.

### Politics

- Dec. 4—In Washington, D.C., David Duke, a former grand wizard of the Ku Klux Klan who lost a runoff election for Louisiana governor last month, announces his candidacy for

the 1992 Republican nomination for president.

- Dec. 10—In Concord, New Hampshire, conservative political commentator Patrick Buchanan declares that he is running for the Republican nomination for president.

### Science and Technology

- Dec. 1—After 1 of its 3 navigational units fails, the space shuttle *Atlantis* makes an early landing at Edwards Air Force Base in California.

### Supreme Court

- Dec. 10—Voting 8 to 0, the Court declares unconstitutional a New York state statute that allows money paid to convicted or accused criminals for selling their stories to be set aside for victim compensation; the ruling could affect laws in 41 other states as well as a 1984 federal law.

## VANUATU

- Dec. 2—In the 1st national elections since Vanuatu gained independence from France and Britain in 1980, the Union of Moderate parties, a pro-francophone party, wins 19 of the 46 parliamentary seats.

## YUGOSLAVIA

(See also *Intl*, *UN*; *US*, *Foreign Policy*)

- Dec. 5—Stipe Mesic resigns as leader of Yugoslavia's rotating collective presidency.
- Dec. 6—After touring battlefields and cities in Croatia, UN envoy Cyrus Vance criticizes the continued fighting between Croats and Serbs and indicates that UN peacekeeping forces will not be sent until the fighting stops.
- Dec. 20—Ante Markovic resigns as federal prime minister. The republic of Bosnia-Herzegovina asks the EC for recognition as an independent state.
- Dec. 23—Germany recognizes Slovenia and Croatia as independent states.
- Dec. 26—Meeting in Belgrade, representatives of the federal parliament and presidency agree to discuss new borders for Yugoslavia on January 3.
- Dec. 28—Serbian-led federal troops attack Karlovac, a city southeast of Zagreb, for a 2d day; federal forces resume firing on Osijek, which in recent weeks has come under nearly daily attack, and on towns in eastern Croatia that had been retaken by Croats.
- Dec. 31—Serbian and federal forces agree to a plan brokered by UN envoy Vance that provides for the deployment of UN peacekeeping troops and the withdrawal of the federal army from Croatia; Croatian president Franjo Tudjman has already agreed to the plan. ■

**Errata:** In our November 1991 issue, a production error deleted a line from Joseph Lepgold's article. The line, on page 356, column 2, line 57, should read: "Thus the more important European institutions become, the less important the American link will be."

On page 354 of the November issue, the editor's note did not include Spain and Portugal as members of the Western European Union. On page 378 of the same issue, the editor's note on the membership of the European Free Trade Association should have included Liechtenstein. We regret the errors.





## COMING IN MARCH IN CURRENT HISTORY: INDIA AND SOUTH ASIA

In March, Current History offers a close examination of India and its neighbors. Couched between the unmovable Asian giant, China, and the dismantled Soviet Union, South Asia is searching for a place in the post-cold war world. That search is encumbered by continuing factional and sectarian strife and the challenges of economic development. *Topics scheduled to be covered include:*

- **US Policy in South Asia**  
BY SELIG HARRISON,  
CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE
- **India's Economy**  
BY ALAN HESTON,  
UNIVERSITY OF PENNSYLVANIA
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